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**INTER-AMERICAN DEVELOPMENT BANK  
ACT AMENDMENTS OF 1967**

**HEARINGS**  
BEFORE THE  
**COMMITTEE ON BANKING AND CURRENCY**  
AND THE  
**SUBCOMMITTEE ON INTERNATIONAL FINANCE**  
OF THE  
**COMMITTEE ON BANKING AND CURRENCY**  
**HOUSE OF REPRESENTATIVES**

**NINETIETH CONGRESS**

**FIRST SESSION**

**ON**

**H.R. 9547**

A BILL TO AMEND THE INTER-AMERICAN DEVELOPMENT BANK ACT TO AUTHORIZE THE UNITED STATES TO PARTICIPATE IN AN INCREASE IN THE RESOURCES OF THE FUND FOR SPECIAL OPERATIONS OF THE INTER-AMERICAN DEVELOPMENT BANK, AND FOR OTHER PURPOSES

**MAY 3, 4, AND 9, 1967**

Printed for the use of the Committee on Banking and Currency





# **INTER-AMERICAN DEVELOPMENT BANK ACT AMENDMENTS OF 1967**

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## **HEARINGS BEFORE THE COMMITTEE ON BANKING AND CURRENCY AND THE SUBCOMMITTEE ON INTERNATIONAL FINANCE OF THE COMMITTEE ON BANKING AND CURRENCY HOUSE OF REPRESENTATIVES**

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## INTER-AMERICAN DEVELOPMENT BANK ACT AMENDMENTS OF 1967

WEDNESDAY, MAY 3, 1967

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON INTERNATIONAL FINANCE OF THE  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D.C.*

The subcommittee met, pursuant to call, in room 2128, Rayburn House Office Building, Hon. Henry S. Reuss (chairman of the subcommittee) presiding.

Present: Representatives Reuss, Ashley, Moorhead, Gonzalez, Hanna, Rees, Bingham, Halpern, Widnall, Johnson, Stanton, and Mize.

Mr. Reuss. Good morning.

The International Finance Subcommittee will be in order for the consideration of H.R. 9547, the Inter-American Development Bank Act bill.

We are very happy to see here this morning, the Secretary of the Treasury, Henry H. Fowler; the Assistant Secretary of State for Inter-American Affairs, the Honorable Lincoln Gordon; the Honorable True Davis, the Assistant Secretary of the Treasury and U.S. Executive Director of the Inter-American Development Bank; and Mr. Winthrop Knowlton, Assistant Secretary of the Treasury for International Affairs.

As can be observed from the list of sponsors of H.R. 9547, the bill enjoys broad support.

This is the first cosponsored bill in the history of the House of Representatives. In the last 2 weeks we have been permitted a device which will let us have these cosponsors.

The request of the administration for the Fund for Special Operations has been thoughtfully discussed with this subcommittee for at least a year. Many of us were present at the annual meeting of the Inter-American Development Bank in Mexico City a year ago at which the outlines of this request were etched. This subcommittee has been particularly appreciative of the leadership of Secretary Fowler in focusing the Bank's attention on the vital problem of agriculture and food production in Latin America. We have worked closely with the Treasury Department, State Department, and the Bank on the subject, and I am personally very gratified, and I am sure the subcommittee is very gratified, at the heightened emphasis on the vital problem of food production which is currently being focused by the Inter-American Development Bank.

Mr. JOHNSON. Would the chairman yield? Is there any particular significance that all the sponsors of the bill are members of the majority party. Do you intend to make this a partisan issue?

Mr. REUSS. Let me say that the support of the Inter-American Development Bank has always been bipartisan, that all minority members were invited to join in cosponsoring it, and let me hasten to say that I renew the invitation to join. The staff was asked specifically, and my friend, Orm Fink was asked by me to endeavor to get in touch with every minority member ~~to invite him to participate~~. At the hearing yesterday, as the record will show, I renewed the invitation. I know that from what Mr. Mize and Mr. Johnson say, evidently something went awry in this very cordial invitation and this was not conveyed to them. However, it remains open. I hope they will join because interest on the minority side has been equally patriotic and selfless as that on the majority side and we want your help, cosponsorship, and an equal sharing in such credit as there may be—and in the long sweep of history there will be credit for the constructive views that this committee has taken in the business of trying to help our friends in Latin America.

So, I hope there will be many cosponsors.

Mr. Widnall?

Mr. WIDNALL. I was asked to cosponsor at the time the bill was set up and it was not because of a lack of belief in what we are trying to do with this bill, but I had in mind an amendment to add to the bill that I would put in myself.

Mr. REUSS. The gentleman from New Jersey has been frank with me on this. I understood his position. I regret that there do not happen to be minority names of cosponsors in the first instance, but we certainly hope to broaden that and I want it clearly understood that there is no suggestion on my part that the bill has not been and will not be entirely nonpartisan.

Now, with that friendly opening, Mr. Secretary, we turn to you and your colleagues for your presentation of the reasons why the administration is interested in this bill and why it ought to be enacted.

(A copy of the bill, H.R. 9547, follows:)

[H.R. 9547, 90th Cong., 1st Sess.]

A BILL To amend the Inter-American Development Bank Act to authorize the United States to participate in an increase in the resources of the Fund for Special Operations of the Inter-American Development Bank, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Inter-American Development Bank Act (22 U.S.C. 283-283k) is amended by adding at the end thereof the following new section:*

"Sec. 15. (a) The United States Governor of the Bank is hereby authorized to vote in favor of the resolution entitled 'Increase of \$1,200,000,000 in Resources of Fund for Special Operations' proposed by the Governors at their annual meeting in April 1967 and now pending before the Board of Governors of the Bank. Upon the adoption of such resolution, the United States Governor is authorized to agree, on behalf of the United States, to pay to the Fund for Special Operations of the Bank, the sum of \$900,000,000, in accordance with and subject to the terms and conditions of such resolution. The United States Governor is also authorized to vote in favor of the amendment to Annex C of the agreement, now pending before the Board of Governors of the Bank, to modify the procedure employed in the election of Executive Directors.

"(b) There is hereby authorized to be appropriated without fiscal year

limitations, for the United States share in the increase in the resources of the Fund for Special Operations of the Bank, the sum of \$900,000,000."

**STATEMENT OF HON. HENRY H. FOWLER, SECRETARY OF THE TREASURY; ACCOMPANIED BY HON. TRUE DAVIS, ASSISTANT SECRETARY OF THE TREASURY AND U.S. EXECUTIVE DIRECTOR OF THE INTER-AMERICAN DEVELOPMENT BANK; AND WINTHROP KNOWLTON, ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS**

Secretary FOWLER. Mr. Chairman and members of the subcommittee, it is a pleasure to appear before you today in support of a proposal to increase the resources of the Fund for Special Operations—the FSO—of the Inter-American Development Bank. This is another chapter in a history that began in 1959, when, under the leadership of President Eisenhower, the Congress at that time saw fit to create the institution which has become known as the Inter-American Development Bank. This has been an institution founded and supported from the beginning by both parties and I certainly hope that we can continue to maintain that support.

Mr. REUSS. May I interrupt you, Mr. Secretary, to say without objection your full statement and the full statement of the Honorable Lincoln Gordon will be received into the record and also the statement of Secretary Davis.

Secretary FOWLER. The proposed legislation on this matter was transmitted to the Congress on April 28. There has also been submitted to the President and to the Congress a special report of the National Advisory Council on International Monetary and Financial Policies. This special report describes the background and the details of the proposal and includes a recommendation of the Council that the Congress act favorably on the proposal. I have also made available to the members copies of the Bank's latest annual report for the year 1966.

I have with me today the Assistant Secretary of State for Inter-American Affairs, Mr. Lincoln Gordon, and the U.S. Executive Director of the Bank, Assistant Secretary of the Treasury, Mr. True Davis. With your permission, I should like to make an introductory statement on the proposal, after which I will call upon these gentlemen to supplement my remarks. Mr. Gordon will provide you with information on the general context in which the proposal is presented—the Alliance for Progress and, most notably, the recent meeting of the Presidents of America in Punta del Este. Mr. Davis will testify regarding the Bank, and describe its management and its administration of the tasks entrusted to it by the inter-American community.

The Fund for Special Operations of the Inter-American Development Bank was established as the so-called soft-loan window of the Bank. It has long been amply clear that the less-developed countries cannot assume on conventional banking terms the capital required to advance their development. The problems of economic and social development are too vast, and the resource transfers required from the more-developed to the less-developed countries are too great. This has been recognized in our own bilateral assistance programs, which have

long provided the more liberal terms appropriate for long-term development. Among the international institutions the problem had been recognized prior to the establishment of the Bank by the creation of the International Development Association—IDA—as an essential partner of the World Bank, to make loans on softer terms than was otherwise possible by the World Bank. As is the case with IDA, the funds to support FSO lending activities can be obtained only from member contributions. There are no private sources of funds on the soft terms required.

The United States has participated in the concessional lending activities of the Inter-American Development Bank through two separate facilities, the Social Progress Trust Fund, created by the United States and administered by the Bank, and the FSO. Through 1964, the United States contributed \$525 million to the SPTF and \$150 million to the FSO. In 1965, however, it was decided to terminate further contributions to the SPTF, to assign the functions heretofore performed by it to the FSO, and to increase the U.S. contribution to the FSO as the sole remaining soft-loan operation within the IDB. In order to provide for this expanded level of activities, the Congress authorized a U.S. contribution of \$750 million in support of FSO operations foreseen through calendar year 1967.

It is now necessary to consider a further replenishment of the resources of the FSO. The last replenishment, as I have noted, was intended to provide for operations through 1967. The Governors of the Bank at their meeting in Mexico City, which was attended by a goodly representation of this committee, in 1966 instructed the Executive Directors to study the position of the Bank's resources and possible needs subsequent to 1967, and to prepare a report and recommendations for consideration at the 1967 Governors' meeting. You will find before you, as an annex in the special report of the National Advisory Council, the report which the Executive Directors submitted to the Governors at their meeting here in Washington last week. After consideration of the Directors' report, I joined the other Governors in adopting a resolution recommending that the Bank's members take the necessary steps, under their constitutional processes, to make effective an increase of the resources of the FSO, as recommended by the Executive Directors, beginning at the end of this calendar year.

But in moving, as I have done, from the meeting of the Bank's Governors in Mexico and their meeting here last week, I have passed over a year of historic consequence to Latin America and inter-American cooperation. This was a year of intense activity which culminated in the meeting of American Presidents 3 weeks ago, and the promulgation on April 14 of the historic Declaration of the Presidents of America.

(The Declaration of the Presidents of America may be found in the appendix, p. 161.)

The development of the Inter-American Development Bank in its brief existence has been profoundly affected by two great milestone events in inter-American cooperation. The first of these was the act of Bogotá of 1960. This brought us to recognize the key role of social development in economic improvement. Next was the Charter of Punta del Este, establishing the Alliance for Progress as the guide for all our

efforts toward the betterment of the hemisphere and the lives of our peoples. The replenishment of the Fund for Special Operations which we are now asking you to approve would be the first concrete implementation of the third landmark event—the declaration of the Presidents, giving new vigor and new directions to the alliance of the Americas.

The report of the Executive Directors, the deliberations and actions of the Governors, and the proposal which is now before you have fully taken into account the decisions of the Presidents at Punta del Este.

In accordance with these decisions, the Latin American members of the Bank have again resolved to increase and strengthen their own self-help efforts. This resolve finds its tangible expression in the proposal to double the future contribution of the Latin American members of the Bank to the Fund for Special Operations. For the 3 years 1965-67, their contribution in their own currencies was the equivalent of \$150 million; for the next 3 years, they propose to make contributions the equivalent of \$300 million. Moreover, the principle of self-help is now being extended to that of mutual self-help. The four largest Latin American members—Argentina, Brazil, Mexico, and Venezuela—propose to permit a substantial portion of their contributions to be used by the Bank to make loans to the other members, which are relatively less industrialized and have relatively weaker financial and resource capabilities.

As is made clear in the report of the Executive Directors, the future activity of the expanded FSO—as well as the activity of the entire Inter-American Development Bank—will be oriented especially toward those problem areas singled out for special attention by the Presidents.

The urgent problem of rural modernization and improved agricultural production—especially of food—will be given the highest priority, as it deserves. I would not miss this occasion to note the extremely valuable contribution toward our understanding of the critical issues at stake, for Latin America and the entire world, which was made last fall by this subcommittee and its distinguished chairman. Your efforts have greatly influenced the approach to the problem reflected in the declaration of the Presidents as well as in the policies of the Bank set forth in the report of its Directors. Please accept my personal appreciation of your contribution.

In addition to redoubled efforts in agriculture, the Bank proposes an extension of its activities in education and health in the directions laid down by the Presidents. And the Bank now proposes to move forward even more vigorously in the new direction agreed upon by the Latin American Presidents—toward the multinational infrastructure required for the development of Latin America.

To this end, the Bank has already established a Preinvestment Fund within the FSO to carry out the urgently needed feasibility studies and other necessary preparations for the execution of multinational projects. The Bank proposes to devote annually up to \$100 million of its resources—both ordinary capital and FSO—toward the financing of such projects. Multinational projects will not only assist in bringing the continent together by improved transportation and communications and beginning the exploitation of the vast physical

resources possessed in common—such as water and power—but also further the Common Market objective which the Latin American Presidents have set for themselves.

It was to meet this new responsibility to move forward with multinational projects that President Johnson, in his message to the Congress of March 13, on the forthcoming meeting of the Presidents, proposed an increase of \$50 million in the annual level of our contributions to the FSO, over and above the \$250 million annual level of our contributions in the past.

The proposal before you thus seeks your authorization of a \$900 million U.S. contribution to the FSO over a 3-year period. Such a U.S. contribution stands in a ratio of 3 to 1 to the proposed contributions of the Latin American members, in contrast to the ratio of 5 to 1 which applied in the last increase of FSO resources agreed in 1965.

If you look back, beyond 1965 and take into account U.S. contributions, including the Social Progress Trust Fund, the ratio up to 1964 was 11 to 1. So, we have come from an 11 to 1 scale in the initial years of the Bank to 1964 to a 5 to 1 scale in the years 1965 through 1967 and the 3 to 1 scale under the proposed replenishment.

(The following table, showing U.S. and Latin American contributions, was subsequently submitted for the record:)

*U.S. and Latin American Contributions to the soft-loan resources of the Inter-American Development Bank*

[Millions of dollars]

	U.S. contribution	Latin American contribution	Ratio United States to Latin American
1. Initial resources:			
FSO	100.0	46.3	
SPTF	394.0		
Total	494.0	46.3	11 to 1
2. 1964 increase in resources:			
FSO	50.0	23.2	
SPTF	181.0		
Total	181.0	23.2	8 to 1
3. 1965 FSO expansion	750.0	150.0	5 to 1
4. Proposed FSO expansion	900.0	300.0	3 to 1

As Secretary of the Treasury, as well as U.S. Governor for the Bank, I have had the responsibility to assure myself that the operations of the Bank—as of the other international institutions—are conducted in a manner consistent with our balance of payments policy. Beginning with their last expansion in 1965, loans from the U.S. contribution to the FSO were made subject to the same procurement regulations applied in the SPTF.

Mr. Chairman, I have here a letter which I can submit for the record which was dated May 20, 1965, in which I informed the Bank that as of that date we wished to exercise our option to shift the procurement arrangements applicable to the FSO to the same basis as the Social Progress Trust Fund.

Mr. REUSS. Mr. Secretary, would you make available that statement or resolution for the record of these proceedings?

Secretary FOWLER. It is in the form of a letter, and I will do so.

Mr. REUSS. Without objection, so ordered.

(The letter referred to follows:)

MAY 20, 1965.

Mr. JORGE HAZERA,  
*Secretary,  
Inter-American Development Bank,  
Washington, D.C.*

DEAR SIR: As U.S. Governor of the Inter-American Development Bank, I am pleased to inform you that the United States has now completed the legislative process necessary to make available \$250 million for payment of the first installment of the U.S. share in the increase in resources of the Fund for Special Operations, and that the United States will be prepared to make payment promptly in that amount.

In accordance with the provisions of article V, section 1(c) of the Articles of Agreement of the Bank, the United States hereby gives notice of its desire that U.S. currency made available to the Bank as a result of its increased contribution of \$750 million to the Fund for Special Operations be used for the purchase of goods or services from the United States, or for the acquisition of goods or services of local origin in the country in which the project is located. Funds may also be used for the acquisition of goods or services produced in other countries which are members of the Bank if in the judgment of the Bank such transactions would be advantageous to the borrower. With respect to the use of funds for purchases in the countries where the projects are located, it is understood that the related dollars would be disbursed under the agreed letter of credit procedure for the purchases of goods or services from the United States.

Sincerely yours,

(S) Henry H. Fowler,  
HENRY H. FOWLER.

Secretary FOWLER. Such funds must be spent in the United States, except in cases where the Bank may approve procurement in a Latin American member country when this is considered advantageous to the borrower. Dollar funds may also be used in the country of the borrower to finance local project costs, but the dollars must then be spent in the United States under special letter of credit procedures similar to those of our own bilateral aid program. The substantially enlarged Latin American contribution to the FSO now proposed will help to limit the use of dollars necessary to finance local project costs, and the Bank has also proposed to limit the use of dollars for local costs—except for agriculture and education—to the levels achieved on the average in 1966—which were lower than those that had characterized previous years. The special letter of credit technique will also be kept under review to improve its effectiveness.

Mr. Chairman, I have taken into account from the very beginning of my familiarity with this problem as Secretary, in 1965, the problem of additionality and substitution in connection with local costs financing. I have made representations both to my fellow Governors in Mexico City a year ago and to President Herrera. The cooperation and the understanding we have received on this score, which I won't detail here at this time, is reflected in the report of the Executive Directors of the Bank which is annexed to the National Advisory Council report. It is also reflected in the statement Mr. Gaud made last week, as the U.S. Alternate Governor of the Bank. And I want to say to you that we have taken very much to heart the proper concern of this committee that measures be taken to assure to the maximum feasible degree the additionality concept where our aid funds are used for local costs.

Taking account of these measures to strengthen U.S. export additionality associated with U.S. assistance, and on the basis of our experience in the SPTF, we estimate that about 90 percent of FSO funds disbursed in the future will return to the United States.



I am happy to report to you that I have met with complete understanding and cooperation on the part of the Bank in measures to safeguard the U.S. balance of payments. For example, I should like to quote for you some passages from the recent report of the Bank's Directors on the proposed increase in resources:

Many activities of the Fund require a substantial amount of local currency expenditure. However, in relation to the financing of local costs with dollars, recognition must be given to the problem of the balance of payments of the United States, and the Bank will attempt to hold such financing to an appropriate minimum. The Bank is also striving to improve the present procedures whereby such local cost financing is carried out with the least effect on the U.S. balance of payments. In the light of these problems, which should be regarded as basically transitory in nature, the Bank and its members fully appreciate the difficulties inherent in U.S. responsibilities in the free world. Accordingly, the Bank proposes to cooperate in the greatest possible degree with the United States in meeting these difficulties by suitable measures, which obviously would be subject to review as conditions changed.

The percentage of dollar financing for local costs will be established in accordance with the nature and priority of the projects but in such a manner that, on the average, this percentage, except in relation to education and agriculture, will not exceed the level which prevailed in 1966.

At last week's meeting of the Governors, I was especially gratified to hear, in several of the public speeches and in a number of private conversations, expressions of understanding regarding the U.S. balance of payments, of realization that our problem in this respect is also one of vital interest to the Bank and individual countries, and of willingness to cooperate with the United States in finding ways to meet the problem. The Governors understand that we can afford to give assistance, bilaterally and through the Bank, in the form of real goods and services and not in the form of financial transfers which might be used to increase or maintain purchases from industrial countries in payments surplus with the United States or for other purposes damaging to the U.S. balance of payments.

Although not a part of the proposal before us today, I should nevertheless like to inform the subcommittee of a new initiative related to the ordinary capital resources of the Bank of considerable interest for the U.S. balance of payments. As the subcommittee is aware, procurement with ordinary capital funds may take place anywhere in the free world on an international competitive basis. There has been increasing concern in the Bank that this procedure has benefited a number of the industrial capital-exporting nations out of proportion to the resources these same countries have made available to the ordinary capital in the form of long-term untied loans or bond issues in their markets. At their meeting last week, the Governors instructed the Directors to study this situation carefully, explore alternative courses of action, and adopt or propose corrective measures for implementation no later than January 1, 1968. A report of the Directors on this matter indicates that one of the basic principles underlying such measures must be the establishment of a link between the benefits which non-member countries derive from the Bank and the resources they provide, by limiting procurement to those countries making an adequate contribution to the resources of the Bank.

In concluding this statement, Mr. Chairman, let me stress the following thought:

If the Inter-American Development Bank is to continue to play a key role in this venture, and to take on the new challenge and respon-

sibilities laid down by the Presidents last month at Punta del Este, it is essential that it have resources equal to the tasks it faces. That is the reason for the request we are making to replenish its fund for special operations.

I urge that you act favorably on this legislation at an early date.

Thank you, Mr. Chairman.

(The following table shows resources made available to the Bank by nonmember countries:)

*Resources made available by nonmember countries, as of Dec. 31, 1966*

[Expressed in U.S. dollars or dollar equivalent]

**A. Funded debt:**

Payable in United States dollars:

4¾% loan of April 1, 1965 from Instituto Español de Moneda Extranjera, Spain-----	US\$12,500,000
Short-term Dollar Bonds, Issue of April 15, 1966—Purchases of Israel and Spain-----	8,000,000

Payable in non-member currencies:

5% Italian Lire Bonds of 1962, due April 1, 1982 (Lit. 15,000,000,000)-----	24,000,000
6% Italian Lire Bonds of 1966, due January 1, 1986 (Lit. 15,000,000,000)-----	24,000,000
5½% German Deutsche Mark Bonds of 1964, due July 1, 1979 (DM. 60,000,000)-----	15,000,000
5½% English Sterling Stock of 1964, due October 1, 1984 (£ 3,000,000)-----	8,400,000
5% Loan Agreement of June 27, 1966 with the Export-Import Bank of Japan for up to 3.6 billion yen (equivalent to \$10 million)-----	2,080,062
5¾% Sw. Fr. Bonds of 1966, due September 15, 1981 (Sw. Fr. 50,000,000)-----	11,433,798

Total ----- 105,413,860

**B. Participation in loans sold<sup>1</sup>** ----- 4,963,233

**C. Trust funds and funds in administration:**

Kreditanstalt für Wiederaufbau (32,920,000 marks)-----	8,230,000
Intergovernmental Committee for European Migration-----	1,250,000
Government of Canada (30,000,000 Canadian dollars)-----	27,800,000
Government of the United Kingdom (£ 4,142,800)-----	11,600,000
Government of Sweden (US\$5,000,000)-----	5,000,000

Total ----- 53,879,744

**D. Cooperative arrangements:**

Government of Canada (15,000,000 Canadian dollars)-----	13,900,000
Government of the Netherlands (36,000,000 guilders)-----	10,000,000

Total ----- 23,900,000

<sup>1</sup> Includes \$400,000 sold to Instituto Español de Moneda Extranjera under an agreement by which the Instituto is obligated, up to \$7,500,000, to purchase participations with the Bank's guarantee, equal to the amounts of purchases made in Spain by the Bank's borrowers under standard competitive purchase procedures.

Mr. REUSS. Thank you, Mr. Secretary, for a very forceful and constructive statement.

I would point out to you and your colleagues, as evidence of the interest which this subcommittee has in the legislation before us, we have a 100-percent attendance record. We have the full 12 members present.

With the indulgence of the majority members, I will point out that our friends on the minority have an early luncheon engagement and

I would like, therefore, if there is no objection, to recognize those members at this time. I think some of them will have to go before we have fully heard from Mr. Gordon and Mr. Davis.

Mr. Halpern?

Mr. HALPERN. Mr. Chairman, first, I would like to compliment the Secretary on his testimony. As usual he has presented a clear, precise and most enlightening picture of the issue before us. I also want to take this opportunity to commend the Secretary for his rare ability.

You, sir, have been an outstanding Secretary of the Treasury, and I am sure you will go down in the annals of history of our Government as one of the truly great Secretaries and I wish to compliment you at this time.

Mr. Chairman, in deference to the fact that some of my distinguished colleagues on the minority side must leave, I will yield to them with your permission. And later, if I may, I do have some questions, very pertinent to this legislation, that I would like to ask the Secretary.

I will defer to my colleagues and I hope I will have the opportunity later to present my questions.

Mr. REUSS. All members will have a full opportunity to question the witnesses here this morning or to submit, as I intend to submit, questions to be answered in the record.

Mr. Widnall?

Mr. WIDNALL. Thank you, Mr. Chairman.

Mr. Secretary, we are certainly pleased to have you and your colleagues here this morning. Your testimony is fine. I believe it will be very helpful to us.

Has any Latin American country been called upon to provide additional funds because of the maintenance of value section of this legislation? There has been constant evaluation in many of these countries.

Secretary FOWLER. That occurs automatically, I am told, Mr. Widnall. Article V, section 3 of the Bank's charter requires members to maintain the value of the currency held by the Bank.

Mr. WIDNALL. Well, the demand occurs but my question is: Is it provided?

Secretary FOWLER. It has been provided in the instances where it has become a pertinent problem.

Mr. WIDNALL. Mr. Secretary, the \$24 billion that is involved in Vietnam, the foreign exchange costs, that is affecting our balance of payments problems, is it not?

Secretary FOWLER. It is indeed, sir.

Mr. WIDNALL. In your Pebble Beach statement you said in late 1965 and in 1966 the foreign exchange costs contributed to the amount of \$950 million. Is that for fiscal or calendar years?

Secretary FOWLER. I think that was a calendar year figure.

Mr. WIDNALL. What do you estimate the Vietnam net foreign exchange costs will amount to for fiscal 1967 and fiscal 1968, do you have those figures?

Secretary FOWLER. I would have to give you a more considered judgment on that. Without getting into fiscal and calendar year figures my own approximate feeling of the current situation is that on an annual basis there are about \$1 billion in direct costs.

Mr. WIDNALL. Will you provide it for the record?

Secretary FOWLER. I will in terms of the fiscal year, as far as we can. (The information requested follows:)

Vietnam related foreign exchange costs were approximately \$500 million more in fiscal year 1966 than in fiscal year 1965. In fiscal year 1967 it appears they will run over \$1 billion higher than in fiscal year 1965.

Mr. WIDNALL. The purpose of the preliminary question is that, in view of the mounting foreign exchange costs in Vietnam, I think we have to take account of that fact in connection with the foreign aid assistance we grant, whether it be under AID or soft loan funds for IBD, IMF, Asian Bank, or the new African Bank. Particularly is this true since some new accounts, just for the four banks we will aggregate about two and a quarter billion over the 3 or 4 years life of the commitment. The problem I am raising is not peculiar to IDB. It was also present in the request for U.S. funds in the other banking institutions; namely, Asian and African Banks as well as AID itself. In my opinion, we must seek to tie these sums more effectively to procurement of U.S. goods and services to minimize adverse impact on our balance-of-payments position. Would you agree?

Secretary FOWLER. I certainly agree, sir.

Mr. WIDNALL. I think that was the implication in the Pebble Beach speech, too.

Secretary FOWLER. More than an implication, it was a solid statement that we had to do it.

Mr. WIDNALL. I intend to offer for consideration when this bill is up before the committee for final action an amendment which would provide:

*Provided, that the funds herein authorized are utilized for the purchase of U.S. goods and services to the greatest extent possible and in such a manner that said U.S. exports do not substitute for commercial exports that would have to be purchased in any event by the country or countries that are receiving the loan assistance from funds authorized under this act.*

Now, would you make some comment on that proposal?

Secretary FOWLER. Yes, Mr. Widnall, I would like to make some comments on the proposal.

Let me say that, insofar as the objective of the amendment is to incorporate an expression of policy, an attitude, such as you have indicated, I heartily share that objective. I heartily share that purpose and I believe it should be the role of the U.S. Governor and the Executive Director and other U.S. officials connected with the Bank to make every effort to see that the Bank operates in such a way that the U.S. aid does not substitute for commercial exports but really is an addition.

I would welcome some expression of that sort in the committee's report to indicate the views of the committee on this matter of policy so that it is clear that this just isn't a U.S. Governor talking, but that it is shared sentiment.

I have some rather serious reservations about the advisability, however, of including an amendment in the body of the legislation itself—not because of any difference in what we are trying to achieve, but rather because it is hard to determine whether or not this provision of law cuts across and limits the flexibility with which we have to approach this problem in dealing with other countries.

Given the spirit and the attitude of cooperation manifested by the Bank management and by other countries—which has been expressed in various ways—I don't believe it is wise to include this as a matter of law in this authorization act. This could be undesirable for various reasons and might really prove offensive or counterproductive.

I think you can accomplish more by including whatever expressions you would have in the language of your report. I would even go so far as to suggest that you might ask us in the report to give you an annual report on performance—what has been accomplished and what has been undertaken in order to achieve this objective.

I am reluctant to see it become a part of the law, because then I don't know what kind of legal and legislative policy reverberations this would have in the actions of other Congresses and parliaments and of other countries. As long as the Bank is trying to follow, as it is, a cooperative course of conduct, I don't really see the necessity for including it in the law.

Now, I will just close by citing the words of Mr. Gaud, who spoke for the United States at the meeting last week. He dealt specifically with this matter. He said:

Secretary Fowler has often emphasized that this Nation's success in handling its balance-of-payments problems depends in large measure upon the cooperation it receives from other countries as well as upon the manner in which other nations handle their own domestic and international monetary problems. We would like to emphasize that we seek this cooperation not just to help us deal with a U.S. problem, but to enable us to do without simultaneously bringing about undesirable disruptions in the economic growth of others. We seek solutions to our problems which will permit us to continue to help our neighbors find solutions to their problems. We do not want to renege on the deep-seated obligation we feel to further the development and well-being of other free-world nations.

And here's the pertinent part:

We are gratefully appreciative of the attitude the Bank has taken on this matter. In its own operations the Bank has clearly demonstrated it recognizes the importance of the balance of payments problem. The increased self-help efforts stressed in the report of the Directors; the floating of additional bonds in European market; the renewal of short-term bonds sold in Latin America, the substantially enlarged contribution of the Latin members; the concern over the dollar financing of local costs; the review of Bank operations in nonmember countries—all of these are impressive responses to the problem and strong evidence of the Bank's cooperation. I repeat, we are very grateful for them.

I think, Congressman Widnall, you and your colleagues know that I talked as early as a year ago about this matter of additionality in a very straightforward way to my fellow Governors and to the Bank's management. I will just quote one paragraph of what I said a year ago to them and I will be through. [Reads:]

However, it is essential in making U.S. official expenditures abroad that we demonstrate that our commercial trade surplus—which is a plus to our balance of payments—is not eroded when we contribute our goods and services through AID. The United States simply cannot afford to lose any commercial sales as a result of its aid efforts. Our effort must focus on gaining export sales, building up our trade surplus. And aid must, of course, for the foreseeable future take the form of U.S. goods and services which we can afford, rather than financial transfers which we cannot afford, except in a very minimum way. It is more than just a question of tied aid. When we go before our Congress to ask for continued financial support for the Bank and for the Alliance, the question of whether or not our aid programs are substituting for our exports, will be crucial.

So, I don't think that there is any lack of understanding and appreciation of the problem. We are striving and our friends are co-operating with us in striving for additionality. I believe in my own heart we will get better results by continuing to elicit that cooperation, rather than seeming to try to do the impossible, namely, compelling by law.

Mr. WIDNALL. Thank you, Mr. Secretary for a direct answer. Just one further question.

When I was on a recent trip to South America, I remember what a government official told me in Argentina, that there has been a flight of their own capital from Argentina of between \$3 to \$5 billion and if they could only get half of that back in Argentina that their problems would be solved down there.

To what extent today are efforts in South America being damaged by continuing flight of capital from the South American countries into United States and Europe?

Secretary FOWLER. I would like to supply you with an answer later for the record.

Mr. REUSS. Without objection, this material may be put in the record.

(The material referred to follows:)

#### CAPITAL FLIGHT FROM LATIN AMERICA

It is impossible to be precise about the extent of capital flight from Latin America.

An authoritative study on this matter, "How Much Capital Flight from Developing Countries?" was published in "The Fund and Bank Review"—a joint publication of the IMF and IBRD—March 1965 issue (vol. II, No. 1, pp. 25-33). This study concluded:

"... there is some incontrovertible evidence in U.S. statistics of an appreciable outflow of local capital from Latin America and some indirect indications in Latin American statistics of further large outflows. But to derive precise figures from such evidence as exists would be an excessively hazardous task."

The study indicated that various estimates which have been mentioned in recent years of the magnitude of Latin American capital flight, and assets held in foreign countries, are unsupported and cannot be defended. The only dependable statistical information available are U.S. statistics which identify two types of recorded capital movements likely to be important as instruments of capital flight—bank deposits and other short-term banking assets in the United States and also, U.S. corporate securities. "The combined movement of private capital from Latin America into the United States recorded in these two categories for the 12 years 1952-63 was \$1.2 billion." For 1964-1966, the data show further such capital outflow from Latin America in the amount of approximately \$500 million.

There can be no doubt, therefore, that there have been considerable outflows of local capital from Latin America. Factors responsible for these outflows are well known—political instability, economic uncertainties and instability, and repeated currency depreciation under severe inflationary conditions. A major effort of the entire Alliance for Progress is to correct the conditions which stimulate capital flight movements and to create the confidence in political and monetary stability, and the climate of economic growth, necessary to induce Latin American capital to invest at home.

Mr. WIDNALL. Thank you very much.

Will we have an opportunity to ask some questions? I do not mean here today.

Mr. REUSS. You may submit any additional questions. The question of flight of capital is very much in the minds of many of us and it

may well be that in our report we can make some suggestions. Thank you.

Secretary FOWLER. Let me say just this one addendum to that question, I think that the actions that have been taken in various quarters in recent weeks and months to express the feeling of confidence in the new programs and policies that the Government of Argentina has recently embarked on ought to go a long way in creating an environment, an atmosphere that would be conducive to some re-flow of capital. The negotiations with the commercial banks abroad and in New York, with the International Monetary Fund and our Exchange Stabilization Fund agreement with Argentina, which was announced yesterday—I think these actions expressed a general feeling of confidence on the part of private financial sources, as well as the IMF and our own Government, that the new program in Argentina is an encouraging one and ought to invite movement of funds back into Argentina.

Mr. WIDNALL. Thank you.

Mr. REUSS. Mr. Johnson?

Mr. JOHNSON. Thank you, Mr. Secretary. I want to associate myself with the remarks of Mr. Halpern. I agree with everything he said.

Secretary FOWLER. Thank you.

Mr. JOHNSON. In order to, let us say, convince us to go for this \$900 million, I just have jotted down here what probably should be some of the objectives of the activities of this Bank, such as stemming the tide of communism, constructing worthwhile projects, raising the standard of living, fostering good will toward the United States and discouraging nationalization.

Now, I realize that it is a pretty broad subject for you to comment on. But in general what would you say in those fields has been the success of the Bank in its operations?

Secretary FOWLER. In my own experience, which is limited fundamentally to the last 2 years—although I was generally familiar with its operations before—the Bank, as an indispensable part of the whole complex of activities which we normally call the Alliance for Progress, is making a very signal contribution to the achievement of all those objectives. It is hard to disassociate one particular line of activity and say that it gets the credit or the blame. But this is the Bank of the Alliance, and it is making contributions far beyond the normal supply of funds for physical and social infrastructure. It is doing a job that gives hope and promise to the people of Latin America by offering realistic alternatives to false doctrines and pie-in-the-sky dreams. It is encouraging them to measures of self-help which deal with structural problems that they recognize and we all recognize, but which haven't been dealt with adequately to date.

When the \$2 billion of outstanding loan commitments of the Bank are actually disbursed and spent, they will create a wide panorama of goods and services that will go a long way toward improving the material well-being of Latin America.

More than that, the Bank is a striking example of the way that these various countries, which might be unequal to the task that Latin America presents if each one goes its separate way, can act collectively in a regional organization. In the Bank they can look, not at the problem of whether something is going to benefit this country or that coun-

try, but whether it is going to benefit what they think of as Latin America. I think the Bank is making a very signal contribution and I have no hesitancy at all in saying to you that I don't know where we could get a better return on our money—both tangible and intangible—in what you are being asked to do. I know Secretary Gordon will be able to deal with the broad area covered by your question much more decisively than I can. But I am trying to give you a personal view.

Mr. JOHNSON. Just one more question. I have a profound interest in this subject. I have a nephew who is a surgeon on the ship *Hope* which is presently off the coast of Colombia. This is his third year with them.

We here up north hear a lot of people say, "Well, is it not too bad that most of the money that we send down to South America falls into the hands of politicians." Does it find its way into these worthwhile projects? Is the money well supervised? Do we have men down there—I am sorry I did not get down there with the chairman last fall to inspect a lot of these projects—but is it under surveillance and is the money honestly and properly spent?

Secretary FOWLER. I would like to refer that question to one who is closer to it than I am, the U.S. Executive Director, Secretary True Davis, who has had a long career in private business, as well as in public office. He has been our Director over there for about the last 9 months and he brings no particular prejudice one way or another to the job. He doesn't have a long stake of vested interest in it. I would welcome his observations in answer to your question.

Mr. DAVIS. I feel that the control on the money spent is really quite good. Naturally, in any organization such as this, it had some procedures in the beginning that needed tightening and these procedures have been tightened over the years. We do have our disbursement area here in the Bank which is very carefully controlled. We have our development people and our project analysis people in the field. We check every stage of the contract development—so that I feel that our policies in this respect are very satisfactory.

But I should say, too, that they are improving each year and we are certainly going to see that they are even made far better.

Mr. JOHNSON. Thank you.

Mr. REUSS. Mr. Stanton?

Mr. STANTON. Thank you, Mr. Chairman.

Gentlemen, we welcome you before the committee. I offer my own personal apologies that we have to leave for this previous commitment, honoring Gerry Ford.

Mr. Secretary, when I first came on the committee one of the first bills we passed was the act to combine the Social Progress Trust Fund with the FSO. Has this been completed now? Do you still operate two separate trust funds?

Secretary FOWLER. No, the Bank does not. As the Social Progress Trust Fund moneys are committed and disbursed, the objectives which were being addressed by both the Social Progress Trust Fund and the FSO are now being accomplished by the FSO alone. So, we might say that their activities have been consolidated. Therefore, we are not considering any request for additional funds for the Social Progress Trust Fund. It is all focused in this one soft-loan operation.

Mr. STANTON. Do you anticipate, Mr. Secretary, that the Congress will be asked to increase funds to the hard-loan funds?



Secretary FOWLER. Next year there will be an increase in the ordinary callable capital and we will come to the Congress with a request to meet our appropriate responsibility in that regard. That, however, does not call for the disbursement of public funds. It really is like a banking transaction—we subscribe to the particular amount of callable capital and the practical effect is that the U.S. Government credit can stand behind bonds that the Bank will issue in the private financial markets to the extent of our subscription. It is a kind of guarantee.

Mr. STANTON. Mr. Secretary, the difficulty that this bill is going to have in the Congress, I think, is preempted on the fact that it is asking for additional funds—what we might call one-way or the other foreign aid. It just is not the tempo of this country, with which you are more familiar than any other single individual, the problems that we have, not necessarily the balance of payments, but the deficit in our budget and so forth; and I am sure that you realize more than anybody else, that it does seem to me that it is unfortunate that there has to be this particular increase at this time.

Does the contribution of the Latin American countries to raise their contribution to \$300 million preempted on the fact that we will raise ours to \$900?

Secretary FOWLER. The two things are interlocked and are mutually conditional. In other words, it is a package and when two-thirds of the governments whose contributions total \$1,125 million, have agreed to make their contributions, then it becomes effective.

I believe from the attitude and expression of most of the Governors, that if the United States picks up its \$900 million—which is an increase of \$50 million a year, or \$150 million from the 3-year scale of \$750 million that we had previously—that the Latin American countries will pick up their \$300 million, which will represent doubling their commitment.

As I indicated in my statement, this means a reduction in the relative burden—if we want to call it a burden—from a 5 to 1 ratio of the past replenishment to a 3 to 1 ratio.

So, in terms of self-help, in terms of the concept of getting other countries to participate in this regional enterprise, the current proposal represents, I think, a very real advance.

We are faced, Congressman Stanton, at this time in Latin America, as I see it, with this proposition: There is a great need for external assistance. External assistance can, under no circumstances, however, supply what is needed unless there is a much more dynamic increase in local and domestic activities directed toward the objectives of the Bank and the Alliance.

Therefore, if we pause or halt in our support of this particular operation, I would say that it would have a far more deleterious effect than a refusal to add the \$50 million a year to our Latin American commitment to the Bank, which is what is involved. It would have an indirect and intangible effect and greatly diminish the total effort that might otherwise occur. And, looking at it another way, given the fact that the aid is tied, given the fact that we are trying to energize through various approaches as much additionally as we can, wherever local costs are involved—rather than substituting aid exports for commercial exports—we really are transferring real resources rather than cash.

I am certainly cognizant that the Treasury is very sensitive to increasing our cash commitments. But looked at in terms of available resources in the United States—physical goods and services that can be produced and transferred and put to work in these areas—there are no shortages and we can afford a great deal more than we are doing. The problem is to devise the mechanical, financial, and the organizational means whereby these resources can be transferred without a severe impact on our balance of payments.

From a budgetary angle, considering the points that Congressman Johnson made as to what is at stake in Latin America, I think this is a tremendously worthwhile investment which deserves a very high priority in terms of what it is going to get—far more than the \$50 million a year—it is going to energize and give a dynamic impetus to a much larger body of resources which need to be put to work in Latin America.

Mr. STANTON. Thank you, Mr. Chairman.

Mr. REUSS. Mr. Mize?

Mr. MIZE. Mr. Chairman, thank you.

I have no questions but I am happy to know, Mr. Secretary, you emphasize and are assuring us that the U.S. contribution will be subject to appropriate balance of payments safeguards.

Secretary FOWLER. That certainly is our objective and we are encouraged by the experience we have had, as I indicated, not only with the Bank management, but with the countries concerned. I met with a number of the Governors separately during their visit here, as you know I also did so in Mexico City when we first discussed this problem, and I am encouraged that they understand what our problem is and they want to help.

Mr. REUSS. Thank you.

Secretary Gordon, would you proceed now, sir?

#### STATEMENT OF HON. LINCOLN GORDON, ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS

Mr. GORDON. Mr. Chairman, and members of the committee, it is a pleasure to come before you today to speak in support of the proposed bill to increase the resources of the Inter-American Development Bank.

This proposal is designed to support the far-reaching decisions subscribed to by the Presidents of the OAS member countries at the summit meeting in Uruguay 3 weeks ago. I should like to take this opportunity to comment briefly on the character and significance of those inter-American Presidential agreements.

For the first time in our history a meeting of the highest political leaders of this hemisphere focused on action to promote greater unity within Latin America and more effective inter-American cooperation to accelerate economic and social progress. The Presidents were all aware that their decisions in these fields, and the subsequent actions to carry out these decisions, would shape the political as well as the economic destiny of our hemisphere for many years to come. The critical decisions would not have been made without bringing together the Chiefs of State for a definitive expression of political will at the highest level—and the sense of energy and commitment required to

achieve difficult objectives could only be imparted by the hemisphere leaders themselves.

The essence of the summit agreements was a vigorous reaffirmation and consolidation of the basic principles of the Alliance for Progress—Latin American self-help for accelerated development, institutional modernization and reform, and external support organized through multilateral instruments of inter-American cooperation—but now with a strong new commitment for Latin American economic and physical integration.

The idea of a Latin American Common Market was converted from a vague and timeless aspiration into a specific agreement to achieve a clearly defined goal at a rapid pace through specified procedures. The significance of this accomplishment cannot be overstated.

In singling out agricultural modernization and educational improvement, along with health, for especially intensive action, the Presidents were building deliberately on the experience of the first 5½ years of the Alliance. The chapter on the "Presidential Declaration on Agriculture" is directly in line with the recent report of this subcommittee and it is also in line with actions which have been taken by our lateral aid programs through the development of sector loans in the two major priority fields of agriculture and education.

Mr. REUSS. Let me interrupt very briefly to say that this subcommittee could not be more delighted with this new emphasis. Later on you point out that the Bank expects to double the amount of loan funds that the Bank expects to double the amount of loan funds it channels into agriculture. This subcommittee has indicated that it thinks this is exactly right—the right route. We are extremely proud of what you are doing.

Mr. GORDON. This experience had demonstrated that in these key sectors of social investment the progress achieved, although substantial, was insufficient to meet the pressing needs of their peoples and that higher rates of overall economic growth are directly dependent on more rapid headway in these sectors.

The Presidents also emphasized the importance of avoiding the diversion of scarce resources into the competitive acquisition of unnecessary armaments.

In all these decisions, and in the bilateral and multilateral discussions leading up to them, there was evident a remarkable maturing of Latin American attitudes since the inception of the Alliance for Progress. The leaders of today clearly recognize their own primary responsibility for national and collective action to speed development. They display a growing confidence in their capacity to carry forward these actions.

The evidence from actual performance is no less dramatic. During the past 6 years the gross investment of the Latin countries approximated \$91 billion, of which \$80 billion—about 88 percent—came from within Latin America itself. It is easy to forget that the Latin countries are carrying by far the greater share of the burden of their own development. It could not and should not be otherwise, as the Latin American Presidents were clearly aware at the summit meeting. Of the remaining 12 percent something like 6½ percent was supplied by U.S. public funds. The rest came from international institutions, private investments from outside Latin America, and rather modest bi-

lateral government support from the governments, especially in Europe.

And they have pledged themselves to even greater internal efforts for development in the years ahead. We have prepared a report documenting many of these efforts, both in physical accomplishments and in such fields as tax reform and other institutional improvements. Should you desire, it can be incorporated in the record.

I would suggest, with your permission, that this be incorporated in the record.

Mr. REUSS. Without objection, it is herewith received.

Mr. GORDON. Thank you.

(The document referred to may be found in the appendix, p. 115.)

Mr. GORDON. During the past few years, the Latin-American governments have been showing real determination in the fight against inflation. This serious problem has for many years plagued a number of South American countries, including Brazil, Chile, Colombia, Argentina, Uruguay and Bolivia. In all these countries comprehensive stabilization programs have been undertaken and significant results are being achieved—in Brazil and Chile, for example, inflation has been more than halved in the past 3 years.

This record of resource mobilization, struggle against inflation, and institutional modernization shows political courage and a new spirit of responsibility in the direction of broad economic and development policies in Latin America. This spirit and courage augur well for the continuing and expanding process of Inter-American cooperation under the Alliance for Progress. And the role of the Inter-American Development Bank, "the Bank of Integration," is a major one. Along with the Inter-American Committee on the Alliance for Progress (CIAP) the Bank embodies joint effort and multilateral cooperation under the Alliance.

Last week, at the eighth annual meeting of the Board of Governors, the Bank's commitment to the integration of Latin America was reconfirmed. At the Chiefs of State meeting, the Presidents endorsed the leading role of the IDB in conducting the studies necessary to identify and prepare multinational projects, and to participate in their financing. To this end the Preinvestment Fund for Latin American Integration was set up last year. Earlier this year the Fund prepared a work program, which was submitted to CIAP to determine the priorities for the various studies listed in the program. The determination was to take into account suggestions by the Secretariat for the Economic Integration of Central America and Latin American Free Trade Association. These are the two organizations already in the field looking toward closer economic integration in the Central American area and in South America, plus Mexico, respectively.

One study, that of telecommunications in 10 Latin-American countries, has already been completed for the Bank by Page Communications Engineers, Inc. It recommends a 10-year program to raise to acceptable standards the telecommunications systems of 10 Latin-American countries. As a prerequisite to overhauling South American communications the report recommends that detailed surveys be made in each of the 10 countries of South America so as to recommend financial and administrative policies on such matters as rates, plant modernization, satellite earth stations, management and personnel organization, planning and cost control.

In the first quarter of 1967 the Bank approved the first loan from the Preinvestment Fund. This loan will be used to finance feasibility studies for expansion of a hydroelectric plant on the Acaray River in Paraguay. The power generated by this plant will be used not only by Paraguay, but also by Brazil and Argentina. This loan constitutes a significant Bank contribution to the ultimate interconnection of Latin America's electric systems.

The Declaration of the Presidents singled out certain multinational projects for priority attention. Power and telecommunications and highways were included as were the development of regions such as the Gulf of Fonseca and the River Plate Basin. This is of interest to a great whole group of South American countries.

Studies of these areas are also included in the Bank's work program. Without the communications and transport networks, the development of the great river basins, the provision of regular and abundant supplies of power—all of which the Bank is working to bring about—economic integration will be impossible and the vast potential of Latin America's inner frontiers will remain untapped.

The economic integration of Latin America should be of great benefit in accelerating industrialization on the basis of wider markets, the development of a more modern agriculture, and the increase of overall rates of economic growth. As President Johnson said last August, "In the total development of Latin America, national and local plans and projects are important, but regionwide plans and collaboration are absolutely essential. Nineteen fertilizer industries, 19 steel complexes, 19 isolated markets, and 19 different systems of tariffs would signify only stagnation, inefficiency, and waste." The experience of the Central American Common Market already provides us with evidence of what can be achieved through expanded markets and more rational use of resources. In bringing about the economic integration of Latin America the Inter-American Development Bank has an especially important role. Besides the preinvestment studies and projects which it finances, the Bank has established in Buenos Aires the Institute for Latin American Integration. Besides training, one of the tasks of the institution will be to participate in the planning of the development of the River Plate Basin area.

The Bank will also play an important part in carrying out the summit decisions with respect to accelerating development of agriculture and education. As the chairman said, the Bank expects to double the amount of loan funds it channels into agriculture and to increase substantially its support for education, which was one of the key areas of attention of the Social Progress Trust Fund. The Bank is now actively seeking to develop projects in the field of vocational education, to supplement its previous main concentration on higher education. They realize as do we, that a lack of trained intermediate level technicians can be a serious obstacle to rapid development. By the nature of these programs, a significant proportion of the direct inputs must be financed in local currency of the country concerned, even though indirectly they do increase the demand for imported goods and services.

I would like, in that connection, Mr. Chairman, in commenting on the colloquy between Congressman Widnall and Secretary Fowler, to say that one of the ways of testing the results of very strenuous efforts to protect the U.S. balance of payments in connection with the operations of IDB and also our own bilateral aid operations in America, is

to measure the trend in the U.S. share of total exports to the Latin American countries. Our computations of the U.S. share of all commercial exports—that is, excluding AID financial imports—to Latin America by the industrialized countries show that the U.S. share has actually increased since 1961, the beginning of the Alliance for Progress, whereas the share of the other industrialized countries has actually decreased.

We will be happy to submit a detailed document for the record on all of these. The results in the last 4 or 5 years, especially since we have introduced these techniques that Secretary Fowler referred to, have been very encouraging.

Mr. REUSS. Without objection that analysis will be received.

(The document referred to follows:)

#### U.S. ECONOMIC ASSISTANCE TO LATIN AMERICA AND THE U.S. BALANCE OF PAYMENTS

##### SUMMARY AND CONCLUSIONS

1. This memorandum examines some questions relating to the proposal to increase U.S. financial support of Latin American efforts at development and economic integration.

2. U.S. foreign aid disbursements could have a negative impact on the U.S. balance of payments if U.S. aid leaks away from the recipients to the surplus countries in Europe and to Japan or, more specifically, if U.S. aid merely substitutes for dollars which would normally be spent for U.S. exports and which are thus freed to pay for imports from third countries.

3. In the case of Latin America, neither of these concerns is borne out by an examination of the data for recent years since aid-tying procedures have become more effective.

4. An examination of the data indicates Latin America has not been using U.S. assistance and other earnings in the United States to finance net purchases or to service debt in other industrialized countries.

5. Rather the data suggest that for 3 of the last 4 years Latin America has earned apparent surpluses with Europe and Japan; moreover in 1965 and 1966, Latin America (including the IDB) has been in deficit with the United States (on the liquidity definition of the U.S. balance).

6. In spite of a substantial increase in its total foreign exchange reserves in recent years, Latin America's holdings of gold have declined by \$435 million since 1961.

7. Since the beginning (1961) of the Alliance for Progress, the U.S. share of the Latin American market declined initially, but has subsequently been maintained, even when that market is defined to exclude imports financed by U.S. aid. Similar trends are apparent in those countries in which U.S. assistance is high.

8. Improved techniques for utilizing AID dollars which were put into effect by the largest aid recipients during the last 2 years appear to be helping to increase the U.S. market share in those countries.

9. Judged by this recent experience, it should be possible to provide further U.S. economic assistance to Latin America in such a way as to safeguard the U.S. balance of payments.

##### OVERALL BALANCE OF PAYMENTS WITH LATIN AMERICA

10. The general concern that U.S. assistance leaks to other industrialized countries reflects an assumption that the less developed countries run a payments deficit with Europe and a payments surplus with the United States. In Latin America, however, the trend in recent years has apparently been in the opposite direction: there has been an improvement in the U.S. balance-of-payments position on recorded transactions with the Latin American Republics (including the IDB). The U.S. deficits with Latin America declined from 1961 to 1964 and moved into surpluses in 1965 and 1966. This improvement and surplus accrued in a period of sharply increasing disbursements of AID assistance. At the same time, there was a marked improvement in Latin America's payments position with the rest of the world. Beginning in 1963 Latin America has gained sub-

stantial foreign exchange reserves through transactions other than those with the United States. Latin America earned large trade surpluses with Europe and Japan from 1962-65. Latin America, unlike Europe, has not been converting its increased dollar holdings into gold. In fact, since 1961, Latin America has sold \$435 million worth of gold, with \$200 million of the decline in the period since December 1962 when dollar holdings have been increasing.

#### THE U.S. SHARE OF THE LATIN AMERICAN MARKET

11. Of particular interest in considering the effects of aid to Latin America on the U.S. balance of payments is the U.S. share of Latin America's imports. During the Alliance for Progress, the U.S. share of the Latin American market initially fell, but has been relatively stable since 1961. However, to determine whether a substitution of AID dollars for free dollars is actually taking place, we have prepared a statistical study which shows the year-to-year trend in the U.S. share of Latin American imports not financed by U.S. assistance. If imports financed by U.S. assistance dollars were substituting for "commercial" imports from the United States, the U.S. share of this residual market would decline. The data show that, after falling in the first year of the Alliance for Progress, the U.S. share of the non-aid-financed market was maintained throughout the period 1961-66 at about 38 to 39 percent. The data also show that the U.S. share of the import market supplied by the industrialized countries—that is, excluding the effect of intra-Latin American trade—after an initial fall, has improved slightly, rising from an average of about 48 percent in 1961-64 to about 49 percent in 1965-66.

12. In countries which have received relatively large amounts of U.S. assistance—Brazil, Chile, and Colombia—the U.S. share of the non-aid-financed market has followed the same general pattern as in Latin America as a whole. Since the beginning of 1965, the State, Commerce, and Treasury Departments have worked together in developing significant innovations in the use of the AID dollars made available to these three countries to facilitate U.S. exports. The results of these measures are encouraging. The U.S. share of the market supplied by the industrialized countries in Brazil, Chile, and Colombia has increased from an average of 37 percent in 1961-64 to 42 percent in 1965-66.

#### *U.S. balance of payments with Latin American Republics*<sup>1</sup>

[In millions of dollars]

	1960	1961	1962	1963	1964	1965	1966
Exports of goods and services.....	5,185	5,290	5,245	5,331	6,032	6,105	6,742
Imports of goods and services.....	4,574	4,193	4,384	4,528	4,660	4,861	5,266
Balance.....	611	1,097	861	803	1,372	1,244	1,476
Unilateral transfers.....	-208	-262	-293	-398	-373	-445	-417
U.S. Government capital.....	-161	-703	-501	-379	-248	-331	-377
Eximbank.....	(-6)	(-348)	(-151)	(8)	(201)	(24)	(58)
Foreign Assistance Act <sup>2</sup> .....	(-24)	(-108)	(-187)	(-217)	(-236)	(-283)	(-453)
Others <sup>3</sup> .....	(-131)	(-247)	(-163)	(-170)	(-213)	(-72)	(23)
U.S. private capital.....	-539	-453	-219	-166	-1,016	-385	-445
Latin American capital.....	1	75	108	39	175	37	124
U.S. balance of payments on recorded transactions.....	-296	-246	-44	-101	-90	170	361
MEMORANDUM ITEMS (FROM LATIN AMERICAN VIEWPOINT)							
Balance with United States on recorded transactions.....	296	246	44	101	90	-170	-361
Allowance for Venezuelan crude content of U.S. petroleum imports from Netherlands Antilles.....	200	200	200	200	200	200	200
Balance with rest of world and unrecorded transactions.....	-818	-286	-359	-286	26	329	-84
Increase in Latin American dollars and gold holdings.....	-322	160	-115	587	316	359	-245

<sup>1</sup> All items are net. Military transfers excluded.

<sup>2</sup> Foreign Assistance Act includes Development Loan Fund and AID.

<sup>3</sup> Others—Long-term IDB, SPTF, Public Law 480, military sales, and Exchange Stabilization Fund; also all foreign currency holdings and short-term claims.

Source: Commerce Department (except for allowance for Venezuelan crude).

Mr. GORDON. As our own President stated at Punta del Este, we have entered a period of great urgency in action to speed development in Latin America—national self-help action and international cooperative action. Rising population and the growing needs for food and jobs are creating legitimate pressures for more rapid development which it would be dangerous to ignore. The modest additional resources we seek for the IDB will play a vital part in carrying forward the action program agreed by the Presidents at Punta del Este. Upon the success of that program depends the course of the Alliance for Progress and the health of inter-American relations for many years to come. I join Secretary Fowler in urging favorable action on the resolution before the committee.

Mr. REUSS. Thank you, Mr. Secretary.

Let me state that it is my intention, if this is agreeable with all members, to recognize Mr. Halpern, who likewise has to leave, and then to hear from Mr. Davis and then to give members the right to question the witnesses here.

Now, Secretary Fowler must leave in 15 or 20 minutes.

Secretary FOWLER. 12:25.

Mr. REUSS. I would hope we can conclude our hearings this morning. Does that sound like an acceptable scenario?

Mr. HANNA. Only one question. If Mr. Fowler is going to leave would it be possible to just make one point with the Secretary before he leaves?

Mr. REUSS. Yes, the Secretary will be here for 20 minutes. If the scenario suggested is agreeable I will recognize Mr. Halpern.

Mr. HALPERN. Thank you very much, Mr. Chairman.

I find, too, that I must leave for the function honoring the minority leader.

So, I appreciate your recognition at this time, Mr. Chairman. I certainly appreciate that my colleagues have yielded to me and I assure them that I will be brief.

Mr. Secretary, I direct this to the Secretary of the Treasury—there has been an obvious decrease in private investment in Latin America and there has been an increase in public investment. Now, this bothers me. Would you care to observe why there has been this decrease and is there anything we can do about it?

Secretary FOWLER. I think we must take some time phases, Congressman Halpern, in order to look at this question.

I think you quite properly point to a decline in the role of private investment in adding external capital looked at over, say, the last 5 or 6 years from a period in the late fifties when there was a substantial investment, particularly in petroleum development in Venezuela and several other significant areas.

Looked at in terms of the last year or two, we find some grounds for encouragement that private investment is beginning to increase in Latin America and as a matter of fact, we look in the current year, 1967, for some substantial increase in direct investment in most of the less developed countries, and particularly in Latin America.

As you know, under the voluntary program of the Department of Commerce, direct investment of the cooperating companies—roughly the 600 largest companies in the country—in the less-developed countries was excluded from the targets set up for individual companies. The information we have about their contemplated scale of



investments is one of the sources of my remarks. But I think there are other evidences and that in the last year or two there is a new resurgence of interest in Latin America. I cannot quantify, except to say we have turned the corner and we are back in the direction of an increase. Perhaps Mr. Gordon would be better informed on this.

Mr. GORDON. Congressman, in quantitative terms we have figures only through 1965 and as the Secretary said, they show an interesting pattern. There was a falloff from a small peak in 1961 during the following 2 years—this is American direct investments, including reinvestments, plus reinvested subsidiary earnings. The low point was \$236 million in 1962, \$242 million, 1963, then it moved up to \$359 million in 1964 and \$469 million in 1965.

As a former Ambassador to Brazil, I might comment that except for the oil investments in Venezuela, Brazil, the largest country, was also the area of the largest U.S. investment during the late 1950's.

Brazil went through this very severe political crisis, beginning with the resignation of the President in August of 1961. It lasted for 2½ years and was resolved by the revolution of March 31, 1964. During that period foreign investment, American and other really fell to zero. And for reasons that are entirely understandable. After the revolution foreign investors began to make new plans—it takes a long time for those plans to mature to the point of an actual flow of funds and now there is a kind of resurgence of investment. The principal copper companies are interested in Chilean copper—expansion is now going on in large investments, mounting to many hundreds of millions of dollars for a large copper expansion program.

There are similar experiences in Peru. The rate of investment continues quite high in Mexico and the whole outlook with the improved political stability which has been manifested in Latin America in the last few years, is indeed, very promising.

Mr. HALPERN. Mr. Secretary, referring to Secretary Gordon, as you may know, a recent report of this subcommittee indicated that not sufficient American aid money for Latin American capital has been invested in agriculture. I was very pleased to hear you place emphasis on agriculture in your testimony.

In line with the development of agricultural programs, I am specifically concerned with rural development designed primarily to benefit low-income groups, such as land settlement and credit to small farmers. Could you state what programs might be implemented in this area with the increased funds?

Mr. GORDON. I would like to supplement by sending in a written statement if I could, because I could give you a good deal more detail.

I don't have it—perhaps Secretary Davis has, the precise types of projects that the Inter-American Bank has in mind. Although I have heard of some individual examples.

The emphasis in the Presidential summit talk in the chapter on agriculture is exactly in the direction that you mention. It is an effort, a combined effort, for emphasis on improving rural living conditions on the one hand, and improving agricultural productivity and thus output on the other. It is trying to bring together for the first time—and I recall in Chairman Reuss' report a rather sad statement to the effect that in spite of the many agencies, domestic and international, interested in this problem, there have been few, if any,

comprehensive agricultural development plans made in Latin America. This is now being taken strenuously in hand.

The effort to bring together—the opening up of new lands for land settlement or colonization as the Latins call it, improved credit, appropriate minimum price incentives for farm producers without getting them so high that unsalable surpluses are built up, agricultural education and extension services, and where it is appropriate, agrarian reform in the sense of arrangements, either to encourage the sale through land taxes or actually to expropriate unused land holdings and get them put into productive use—all of these elements are now being looked at by the Latin American Governments with outside technical help as a comprehensive package for the first time.

This is the field, along with education, where it is hardest, I think, to get effective action. It requires decentralized administration. It is dealing with rural populations who are known in all countries at all times as the groups who are the most resistant to change and innovation and experimentation. Nonetheless, it is being seriously attacked.

Certain types of foreign investments are directly related to the development of agriculture. Investments which can lead to a reduction in the costs of certain agricultural inputs, improved seeds, fertilizers and agricultural machinery, are of course the principal ones. This is an integral part of these programs.

In the sector loans we were discussing for agriculture in the bilateral program, we are placing great emphasis on additional, and I stress additional, exports of the U.S. supplies some of these basic agricultural inputs and we are working with the countries to assure that they are available at reasonable prices and with an effective distribution mechanism so they can actually get out to the farmers who will put them to use.

Secretary FOWLER. I will just add, Congressman Halpern, I think the cardinal examples of what the Bank would do in this area are agricultural credit, land settlement projects and irrigation projects. Those are the three concrete areas to which the resources would be devoted.

Mr. HALPERN. Thank you, Mr. Chairman. I do have some other questions along these lines and also some questions for Secretary Fowler, but for want of time I would like to submit those in writing and shall do so within the next 24 hours.

Thank you, Mr. Chairman.

Mr. REUSS. Secretary Davis, we have your full and excellent statement. I just read it. It is in the record. In view of the time problem that confronts us, I think I will ask that we receive it in the record and that you make yourself available as you are for questioning by the subcommittee.

Mr. DAVIS. Thank you, Mr. Chairman.

(The statement referred to follows):

STATEMENT BY HON. TRUE DAVIS, ASSISTANT SECRETARY OF THE TREASURY AND U.S. EXECUTIVE DIRECTOR OF THE INTER-AMERICAN DEVELOPMENT BANK

Mr. Chairman and members of the committee, I am pleased to accompany Secretary Fowler and Assistant Secretary Gordon on their appearance in support of the proposal for an increase in the resources of the Fund for Special Operations of the Inter-American Development Bank. Secretary Fowler has presented you the reasons for the proposed increase. Assistant Secretary Gordon

has given you the political and economic context in which the Inter-American Development Bank operates. As U.S. Executive Director of the Bank I would like to add some comments on the organization, management, and operations of the Bank. I might add that I make these comments against the background of one having come into governmental service after a long career in domestic and international business.

Under the Bank's charter, the Board of Executive Directors is "responsible for the conduct of the operations of the Bank." In the fulfillment of this duty the Board takes an active, direct and continuous interest in the affairs of the Bank. As of April 15, the Board has authorized from all available resources 407 loans, totaling \$2.087 billion. These loans are described in greater detail in the report of the Executive Directors recommending these increases in the resources of the Bank. This report is available as an annex to the present report by the National Advisory Council. Suffice it to say that the loans cover the broadest Spectrum of activities: agriculture, education, health, industry and mining, water and sewerage, housing, transportation, and electric power. They cover governmental and private loans, technical assistance and preinvestment financing, multinational loans, and regional development. In short, the Bank is the single most comprehensive lending institution which represents to our Latin American friends their Bank for the Alliance for Progress. This multitude of activities and responsibilities places a heavy burden on the Bank's organization and management and, of course, its Board of Executive Directors.

The Board is expected to be familiar with the details of all loan transactions in order to determine whether or not they comply with the letter and spirit of the Bank's charter. This involves a careful examination of the economic, financial, and technical analyses of the project as contained in the loan document. If the loan is not fully satisfactory, changes are proposed and referred back to the staff to negotiate with the borrower. Under provision of the Bank's charter, loans from the Fund for Special Operations can be granted only if the U.S. Director votes positively for the proposal. In addition to passing on loan applications the Board makes determinations on matters of general policy and organization and is consulted on basic management problems by the management of the Bank.

Under the agreement, the United States appoints its Executive Director. The remaining six Executive Directors are elected by the Latin American members without participation by the United States. As required by the agreement, the Executive Directors are persons of recognized competence.

The detailed estimates in the attached tables illustrate the extent to which the When the procedures for the election of the Latin American Directors were originally drafted in 1959, it was expected that Cuba would become a member of the Bank. When that country remained outside the Bank, the balanced Latin American representation which the election procedures were designed to assure was disturbed. The proposed resolution on election to the Board of Directors would rectify this situation to the satisfaction of the Latin American members and would in no way affect U.S. representation or voting power in the Bank. Since the proposed resolution involves an amendment to part of the Bank's articles of agreement, congressional authorization is required in order that the U.S. Governor may vote for the resolution.

Since there are many development programs, national and international, operating in Latin America, there is an unquestionable need to look at coordination efforts. Within the U.S. government, the National Advisory Council is the forum where every loan is reviewed and we achieve effective coordination of this Bank's efforts with other U.S. and international financing agencies. With regard to the Bank, I am in wholehearted agreement with the statements contained in your recent report, Mr. Chairman, that coordination at the headquarters level and in the field is an absolute necessity to avoid duplication of effort and insure maximum use of scarce capital resources. I believe there have been notable improvements in this area from the early days of the establishment of the Bank, both in relating overall country programs and performance to the Bank's activities and in approving and carrying out individual projects.

We now have the Inter-American Committee for the Alliance for Progress, CIAP, which provides a multilateral framework to establish standards of performance, to spur self-help measures, and to evaluate institutional programs, including fiscal and monetary reforms. The CIAP also provides the forum where the AID, the IBRD, the Export-Import Bank, and the IMF and the IDB are able to meet together and exchange views and information and concert their efforts.

The office of the Program Adviser represents the Bank in these matters. This office has in recent years moved into developing multiyear programs as part of a total country development strategy and has related these programs to the work of other external financing agencies, particularly to the U.S. bilateral efforts. Additionally, the Bank has been establishing and strengthening its field offices so that the dialog goes on in the field as well as in Washington. There have been gaps in the past and there continues to be room for improvement. However, the AID mission directors in an annual meeting here in Washington last week reported that the last year has shown major improvements.

To assure that its organization and procedures are kept current with the increasing workload and modern techniques, the Bank has contracted with a leading U.S. management consulting firm. The Bank has established within its Operations Department a division of loan administration. This unit is focusing attention on the implementing actions needed to bring the loan into final fruition. Also, a controller of operations with a small staff has been established to spot check all operations and delve into particular problem matters. These organization units are additional to the usual internal auditor and audits conducted by Price Waterhouse & Co.

The Bank has continuously been improving its disbursement controls and procedures. In order to hold out hope to the peoples of the hemisphere that actions were underway to deal with their pressing economic and social problems, in the early stage of the Bank there were cases where perhaps loans were authorized too rapidly. As greater understanding of the development process and of working with external financial agencies has occurred, it has been possible to complete many conditions prior to the authorization of the loan, rather than authorizing the loan and the funds remaining unused until those conditions were fulfilled. Authorization of loans prior to contract signing enables the borrower to raise its contribution to the project, to carry out the final stage of the complete engineering plans, or to take other preliminary but essential action that it would otherwise not take unless it had the assurance that financing would be available.

The Bank has established mechanisms which provide that disbursements will be made only as expenditures are incurred for specific goods and services and the conditions upon which the loan is made has been met. It is, therefore, possible to follow each item financed by the Bank from the determination of specifications and the placement of an order to the delivery of an item and its actual use in the project. As a general rule, the Bank engages the service of project engineers, consulting firms, and other specialists required for proper inspection and supervision of each operation with the borrower bearing these special costs.

The Bank continues to accelerate its disbursements within the bounds of sound and careful management. At the end of 1965, 38 percent of the Bank's portfolio was disbursed; at the end of 1966 this was increased to 42 percent. The nature of many of the Bank projects in less developed countries requires that the period of disbursement be much longer than in the United States. There are also cases where the halting or slowdown of disbursements is necessary to accomplish the desired reforms, particularly in the pioneering efforts of loans for agriculture and education. In addition, the Board conducts a detailed review semiannually of the slow-moving and problem loans in order to take the necessary action, including cancellations. The Board and the management agree that funds cannot be earmarked and unspent with the needs of the hemisphere so great and the resources limited.

One important test of the ability of an organization is the caliber of its personnel. In general, the Bank has reason to be proud of the dedicated North and Latin Americans on its payroll. The Bank has at its top levels leading specialists in the agricultural, education, legal, economic, and engineering fields. Here again we cannot be satisfied and need to continue to improve the caliber of all personnel and representation of the U.S. talent on the staff of the Bank. As Secretary Fowler said at last week's Board of Governors' meeting, "I believe each of our governments equally has the responsibility of assuring that the Bank has at its disposal—even if only for a relatively short time—the intellectual and technical best that the hemisphere can produce."

I cannot close without calling your attention to the real accomplishments financed by the Fund for Special Operations and the Social Progress Trust Fund, listed in the Bank's report, "Socio-Economic Progress in Latin America," provided to the members of the committee. There are listed the success stories in houses built, roads constructed, jobs created, savings and loan institutions established, schoolrooms being utilized, and agricultural credits provided.

To summarize, the Inter-American Development Bank—the bank of the Alliance, the bank of integration—is a truly multilateral institution, where the United States has an important role to play. As a multilateral institution it can do many things which are difficult to achieve bilaterally and the United States will continue to obtain many benefits from this arrangement. We are certain that the necessary coordinating arrangements and policies and control mechanisms are equal to the task before us, and that the development process is so dynamic that the necessary changes will be effected on the basis of experience and needs of the hemisphere.

Mr. REUSS. I point out to my colleagues, Mr. Fowler has only about 6 or 7 more minutes with us. I will therefore recognize members with this thought in mind. Maybe they can confine the first round of questioning to Secretary Fowler so everybody can get their foot in the door. We will stay in session as long as we can.

Mr. Ashley?

Mr. ASHLEY. Mr. Secretary, the proposed legislation contemplates an increase in \$50 million a year for 3 years?

Secretary FOWLER. That is correct.

Mr. ASHLEY. That is \$300 million a year. What will be the budgetary impact as best you can judge?

Secretary FOWLER. Our first installment would be due by December 31, 1967. That is when we would have an obligation to make our payment. An appropriation during fiscal 1968 will, therefore, be necessary. No appropriation request has been made as yet and thus it will probably be necessary to request a budget amendment. We have been working with the Bureau of the Budget. I would suspect that it would have impact in fiscal 1968.

Mr. ASHLEY. Will it be possible for you to submit for the record your estimate as to what the balance-of-payments implications would be upon passage of the bill before us?

That is, for the next 3 years?

Secretary FOWLER. Yes.

(The information requested follows):

*Estimated activity and estimated balance-of-payments impact of U.S. contribution to increase of FSO resources*

[In millions of dollars]

	Calendar years				Total 1967-70	1971 and later
	1967	1968	1969	1970		
A. Estimated activity:						
1. U.S. contributions.....	300	300	300		900	
2. FSO loan commitments.....		250	300	300	850	50
3. FSO loan disbursements <sup>1</sup> .....		10	45	110	165	786
B. Estimated balance-of-payments impact:						
1. Payments by the United States, letters of credit utilized (-).....		-10	-45	-110	-165	-736
2. Receipts by the United States, estimated U.S. exports of goods and services <sup>2</sup> (+).....		+9	+41	+99	+149	+661
3. Net U.S. deficit (-).....		-1	-4	-11	-16	-74

<sup>1</sup> Estimated based on actual disbursement experience of FSO loans committed in the years 1961-66.

<sup>2</sup> No estimate has been attempted of U.S. receipts from incremental administrative and technical assistance expenditures of the FSO.

Mr. ASHLEY. Taking into account that 90 percent, as you testified essentially will be furnished either in kind or certainly from this

country. I think that if we had an idea as to balance-of-payments implications that this would be of considerable help to us when the bill gets to the floor.

Secretary FOWLER. Yes; I will and I would say as of now, that we have made some studies on this question. In terms of current experience, perhaps I could give you some information just very quickly that would be useful.

In terms of the Fund for Special Operations items affecting U.S. balance of payments for 1963 through 1967, which involves a projection for 1967, I would say that the net impact on the U.S. balance of payments, according to this study, a plus of about \$6 million in 1963, a minus of about \$19 million in 1964, a plus of about \$8 million in 1965, a plus of about \$11 million on preliminary figures for 1966 and will be a projected plus of about \$8 million in 1967.

I will submit this table for the record because it shows that there are various sources of payment to the United States from the IDB—procurement which reflects a very tangible return on the goods and services bought from the United States—administrative expenses, technical assistance, Bank headquarters here—all of that taken into account as well as the fact that we don't just turn over the cash to the Bank, but we make the funds available through the letter of credit procedure. When you appropriate the money in a given area, the expenditure impact may be stretched out over many years as the funds are committed and subsequently disbursed.

We will supplement it for the record.

Mr. ASHLEY. That will be of considerable help. Thank you.

(See table on p. 28.)

Mr. REUSS. Mr. Moorhead?

Mr. MOORHEAD. Mr. Chairman, I would merely commend the Secretary for his statement. I believe my questions will be answered by the witnesses who remain.

Secretary FOWLER. If I may just supplement my earlier remarks. A rough summary of the total impact of the Bank on U.S. balance of payments taking into account not only the Fund for Special Operations, but also the ordinary capital, would show in 1963, a plus of \$64 million; in 1964, a minus of \$54; in 1965 a plus of \$33; in 1966, a plus of \$79; and in 1967 a plus of \$28. That is a rough summary. We will supply the backup for those figures for the record.

Mr. ASHLEY. We would appreciate that.

(The information referred to follows:)

#### TECHNICAL COMMENTS ON NET IMPACT ON U.S. BALANCE OF PAYMENTS OF IDB ACTIVITIES, 1963-67

IDB activities, in the ordinary capital and the Fund for Special Operations, affect the U.S. balance of payments in various ways. On the credit side, plus entries are made in our balance of payments when IDB disbursements under its loans result in procurement in the United States (U.S. exports), and when IDB bonds held by U.S. investors are redeemed or sinking fund payments made, or the Bank's cash holdings are invested in U.S. bank deposits of over 1-year maturity. Interest received by U.S. investors in IDB bonds and IDB administrative expenditures in the United States also enter as plus items in our balance of payments.

U.S. Government payments to the IDB enter as a debit (minus) item in our balance of payments only at the time previously "paid-in" non-interest-bearing-U.S.-demand notes or U.S. letters of credit are encashed. IDB bond issues are

debited in our balance of payments when payments are made to the Bank as a result of sales to U.S. investors. Other debit or minus items enter our balance of payments when the IDB sells to U.S. investors portions of the loans, that it has made to developing countries, or when IDB receives income from the investment of its own resources in the United States (interest on time deposits or U.S. Government securities).

The overall result of the above transactions of the IDB was unfavorable to the U.S. balance of payments by \$68 million during the first 7 years of the Bank's existence (the Bank began operations in 1960). The ordinary capital operations have resulted in an adverse U.S. balance averaging \$4 million annually, while the Fund for Special Operations exerted an adverse impact of approximately \$6 million annually. These results must be considered in the light of the fact that—unlike the situation in other multilateral institutions—the United States is the only capital-exporting-industrial nation in the membership of the IDB and is the major source of the IDB resources.

The detailed estimates in the attached table illustrate the extent to which transactions of the IDB contribute to the U.S. balance of payments. It may be noted that in 1964, IDB transactions contributed \$54 million to the U.S. payments deficit. During that year, the United States made a cash contribution of \$25 million to the Fund for Special Operations, and the IDB floated bond issues of \$150 million in the U.S. market (of which \$139 million were purchased by U.S. residents). Nevertheless, other IDB transactions offset a substantial portion of these large U.S. payments to the Bank. The growth of loan disbursements led to increased procurement in the United States, and the Bank arranged its liquid asset holdings so that almost one-half of the proceeds of the bond issues could be invested in long-term certificates of deposit with U.S. banks. To this extent, the negative impact of the bond issues on the U.S. balance of payments was, in effect, postponed.

In 1966 there was a substantial favorable impact on the U.S. balance of payments—on the order of \$79 million. There were no bond issues in the United States, and the Bank's general cash and dollar position benefited from an extremely successful effort to place bonds outside the United States. The Bank borrowed \$24 million in Italian lire, \$10 million in Japanese yen, \$11 million in Swiss francs, and \$65 million in U.S. dollars (of which \$57 million was subscribed by Latin American central banks and the remaining \$8 million by Spain and Israel).

In the current year 1967, the outlook is for a more modest favorable impact on the U.S. balance of payments—on the order of \$28 million. The Bank in January floated a \$50-million-bond issue in the U.S. market (of which \$43.5 million was sold to U.S. residents). The proceeds of this issue are being placed in their entirety in additional long-term investments—thus neutralizing the negative balance-of-payments impact of bond sales. It should be noted that the IDB does not enter new loan commitments unless it has actually raised the funds to cover such commitments. Funds are thus held by the Bank considerably in advance of cash disbursement needs, facilitating their placement in long-term investment benefiting the U.S. balance of payments. It should also be noted that the expansion of operations in the Fund for Special Operations will mean that beginning in 1967 increasing amounts of U.S. letters of credit will have to be encashed by the Bank in order to meet disbursements needs. However, an increasing portion of disbursements in the future will proceed under tying arrangements designed to assure approximately 90 percent procurement in the United States.

TABLE 1.—*Summary of estimated net impact of combined IDB ordinary capital and Fund for Special Operations on U.S. balance of payments, 1963–67*

[In millions of dollars]		
1963	-----	+64
1964	-----	-54
1965	-----	+33
1966	-----	+79
1967	-----	+28

NOTE.—For further detail and explanatory notes see tables 2 and 3.

TABLE 2.—IDB/ordinary capital items affecting U.S. balance of payments, 1963–67  
(In millions of dollars)

Calendar years <sup>1</sup>	1963	1964	1965	1966 (preliminary)	1967 (projected)
<b>Payments to IDB by United States:</b>					
1. Subscriptions in cash.....					
2. Encashment of notes and use of letters of credit.....				38	38
3. Bond sales.....	3	139			60
4. Sales of participations (net).....	8	1	1	3	1
5. Investment income.....	8	8	11	15	17
<b>Total.....</b>	<b>10</b>	<b>147</b>	<b>12</b>	<b>56</b>	<b>116</b>
<b>Payments to United States by IDB:</b>					
1. Procurement:					
(a) Total commitments.....	(160)	(121)	(119)	(92)	(150)
(b) Total disbursements.....	(48)	(90)	(70)	(82)	(125)
(c) Disbursements to U.S. suppliers.....	21	36	28	30	50
2. Redemption of bonds.....					
3. Interest on bonds.....	3	5	10	11	12
4. Administrative expenditures.....	4	10	6	8	9
<b>Total.....</b>	<b>28</b>	<b>50</b>	<b>44</b>	<b>49</b>	<b>71</b>
<b>Net impact on U.S. balance of payments.....</b>	<b>+18</b>	<b>-98</b>	<b>+32</b>	<b>-7</b>	<b>-40</b>
<b>Adjusted impact on U.S. balance of payments <sup>2</sup>.....</b>	<b>+58</b>	<b>-35</b>	<b>+25</b>	<b>+68</b>	<b>+20</b>

<sup>1</sup> The Bank's fiscal year is the calendar year.<sup>2</sup> Includes balance-of-payments credits resulting from investments in long-term certificates of deposit in U.S. banks.

NOTE.—Treasury Department estimates, based on IDB data. For further description and qualifications of these data, see explanatory notes attached. Data may not add to totals due to rounding.

## EXPLANATORY NOTES ON INDIVIDUAL ITEMS FOR TABLE 2—IDB/ORDINARY CAPITAL ITEMS AFFECTING U.S. BALANCE OF PAYMENTS

## PAYMENTS TO IDB BY UNITED STATES

*Item 1—Subscriptions.*—No increase in U.S. cash subscription to the IDB is foreseen during the period considered.*Item 2—Encashment of Notes.*—The IDB at the end of 1965 held \$75 million in U.S. non-interest-bearing demand notes issued to the IDB as a part of the initial U.S. subscription to paid-in capital. Encashment of these notes began in 1966, and is expected to be completed in 1967, as total loan disbursements have exceeded the initial paid-in cash subscriptions of the Bank's members. (In late 1966, these notes were converted into letters of credit.)*Item 3—Bond Sales.*—Represents purchases by U.S. residents of bonds issued by the IDB. The figure for 1967 is illustrative only, based on a number of assumptions about the Bank's funding requirements and the extent of finance available through bond sales to non-U.S. residents. These illustrative data are not intended to indicate either U.S. policy decisions or likely requests by the IDB. (To date in 1967, bond sales to U.S. residents have totaled \$43.5 million.)*Item 4—Sales of participations (net).*—Represents purchases by U.S. investors of portions of loans extended by IDB, generally the earlier maturities, less repayments received by U.S. investors on earlier purchases. Actual disbursements of funds by U.S. investors, as shown in this item, typically lag substantially behind agreements to purchase participations. The figure for 1967 is a rough estimate reflecting the reduction in new participation sales agreements in 1965 and 1966 as a result of tightened conditions in the U.S. money market.*Item 5—Investment income.*—Represents interest earnings by IDB on its investments in U.S. Government securities and time deposits in U.S. banks. The estimate for 1967 is based on a level of time deposits which would require the bond sales in the United States shown in the table for 1967, plus additional sales of dollar bonds to non-U.S. residents.

## PAYMENTS BY IDB

*Item 1—Procurement.*—The data represent commitments and disbursements only of dollar and other convertible currency resources of the IDB, excluding local currencies loaned by the Bank to its Latin American members. Estimates of IDB-financed procurement in the United States (1c) consist of identified U.S. procurement, plus the U.S. share of total nonidentified procurement, and of the expenditure by borrowers of foreign exchange loaned by the IDB to finance local costs, as determined by applying the U.S. percentage share of identified procurement. (Nonidentified procurement reflects primarily the lag in the receipt of documentation from borrowers, and its processing by the Bank, indicating procurement sources.) Data through 1966 are based on IDB reports adjusted to correspond to cash disbursements actually made in each year. The 1967 data assume U.S. procurement share of 40 percent, which was the cumulative U.S. share as of June 1966.*Item 2—Redemption of bonds.*—Represents sinking fund requirement of 4½ percent bonds issued in 1962 (all of which is assumed to represent purchases of bonds from U.S. residents).*Item 3—Interest on bonds.*—Interest paid to U.S. holders of IDB bonds, based on IDB bond sales and redemptions indicated in item 3 (payments) and item 2 (Receipts), above.*Item 4—Administrative expenditures.*—Represents that portion of IDB administrative expenses (including, in 1964, the purchase of an office building) estimated to involve purchases of U.S. goods and services.*Net impact on U.S. balance of payments.*—Equals the net U.S. receipts from the IDB (+) or payments to the IDB (—) resulting from the above-described items.*Adjusted impact on U.S. balance of payments.*—Includes net U.S. receipts from the IDB resulting from investments in long-term time deposits or certificates of deposit in U.S. private banks. In 1967, the ability of the IDB to increase its long-term investments as projected would be dependent upon the sale of bonds to U.S. residents in the amount indicated in item 3 (Payments) for 1967, as well as dependent upon further dollar bond sales to non-U.S. residents and a number of other assumptions regarding the Bank's operations.



TABLE 3.—IDB/Fund for Special Operations items affecting U.S. balance of payments, 1963-67

[In millions of dollars]

Calendar years	1953	1964	1965	1966 (preliminary)	1967 (projected)
Payments to IDB by United States:					
1. Subscriptions in cash.....		\$25			
2. Encasement of notes or letters of credit.....				\$2	\$36
3. Investment income.....	\$2	2	\$2	2	
Total.....	2	27	2	4	36
Payments to United States by IDB:					
1. Procurement:					
a. Total commitments.....	(26)	(42)	(165)	(219)	(300)
b. Total disbursements.....	(15)	(22)	(21)	(31)	(60)
c. Disbursements to U.S. suppliers.....	6	6	8	12	40
2. Administrative expenditures and technical assistance.....	2	2	2	3	4
Total.....	8	8	10	15	14
Net impact on U.S. balance of payments.....	+6	-19	+8	+11	+8

NOTE.—Treasury Department estimates based on IDB data. For further description and qualifications of these data, see explanatory notes attached. Data may not add to totals due to rounding.

#### EXPLANATORY NOTES ON INDIVIDUAL ITEMS FOR TABLE 3—IDB FUND FOR SPECIAL OPERATIONS ITEMS AFFECTING U.S. BALANCE OF PAYMENTS

##### PAYMENTS TO IDB BY UNITED STATES

*Item 1—Subscriptions in cash.*—Represents cash portion of subscription associated with the increase in the Fund's resources effected in 1964. The further increase in the Fund's resources carried out in 1965 and 1966 was in the form of letters of credit, and any subsequent increases would also take the form of letters of credit.

*Item 2—Encasement of notes or letters of credit.*—Represents encasement of non-interest-bearing U.S. demand notes (issued to the Bank in connection with the initial U.S. subscription to the Fund for Special Operations and the 1964 increase in the Fund's resources) or letters of credit (issued in 1965 and 1966). Figures for 1967 are estimates based on projected loan disbursement requirements.

*Item 3—Investment income.*—Represents income earned on the Bank's investments in U.S. Government securities and time deposits in private U.S. banks. As resources made available in the form of cash (initially, and in the first increase of the Fund) are disbursed, the Fund will gradually liquidate its investments, and this source of income will no longer exist.

##### PAYMENTS TO UNITED STATES BY IDB

*Item 1—Procurement.*—Represents commitments and disbursements only in dollars, excluding those in the national currencies of the Latin American members. Procurement in the United States during 1963-66 represents estimates derived from total loan disbursements (1b) and consists of identified U.S. procurement plus the U.S. share of unidentified procurement and of the foreign exchange expenditures of borrowers financed by IDB loans for local costs. The estimated U.S. share of unidentified procurement and local cost financing was assumed to equal the cumulative U.S. share of identified imports as of June 1966 (38 percent). For 1967, loans disbursed out of the second increase in the resources of the Fund for Special Operations are limited to United States and Latin American procurement. It is assumed (on the basis of experience with similar arrangements in the Social Progress Trust Fund) that such loan disbursements will involve 90 percent U.S. procurement.

*Item 2—Administrative expenses and technical assistance.*—Represents estimates of the share of the IDB's administrative expenditures charged to the Fund for Special Operations which is spent in the United States, plus the share of technical assistance expenditures, financed out of the net income of the Fund, which involves purchases of U.S. services.

Mr. REUSS. Mr. Hanna.

Mr. HANNA. Mr. Chairman, there are two points that I would like to have Mr. Fowler comment on.

The first one, Mr. Secretary, is that I entertain a very strong feeling that an operation like the FSO in the Inter-American Development Bank provides an escape for the very frustrating situation existing in underdeveloped countries of trying to get an exchange position. Under the IMF or any of the ordinary channels it seems to me that their requirements for capital are pretty much confined, but we have allowed a flow here under a system such as you set up under the FSO that helps them break the knot. Am I correct in having that opinion?

Secretary FOWLER. I don't think that is true for the Fund for Special Operations. The country that has an exchange problem makes an application to the Bank for funds, not for general purpose use—not just to supplement funds that are available—but for a specific project. That specific project may entail expenditures for goods and services in the United States, and a certain portion for a local cost. Those local costs will provide dollar exchange. Our effort to assure additionality rather than substitution are an endeavor—is part of an endeavor to make sure that those funds don't become free exchange to be used to take care of purchases from third and fourth countries.

Mr. HANNA. It is a limited exchange between ourselves and the countries involved.

Secretary FOWLER. Yes.

Mr. HANNA. As it relates to a project?

Secretary FOWLER. That is right.

Mr. HANNA. Is it not true that as far as the balance of payments is concerned, as it surrounds the Bank, that we at least have here these elements in our favor?

No. 1, the fact that you have the Bank overseeing the projects, you are sure that there is not just a spending of this money without discipline?

Secretary FOWLER. For a specific purpose.

Mr. HANNA. And No. 2, you have assurance that they are going to have respect for the dollar. The operation of the Bank does not seem to me is undermining the position of the dollar because it has demonstrated its effectiveness to the people who are going to use it. But it seems to me this again is a very effective arrangement between the people who need capital and making it available and still within some kind of rules of the game which does not necessarily have to be predicated on gold. The harsh discipline of the gold standard has seemed to me to place rather arbitrary and harsh rules. Is that correct?

Secretary FOWLER. That is right. This is a cooperative endeavor in which, as I indicated earlier, the predominant element is a transfer of real resources that are available in the United States and that are needed in Latin America in order to provide not only physical infrastructure but also the agricultural, educational, and health needs; which otherwise just simply wouldn't be provided unless there were these resources available.

Mr. HANNA. I just made that point, Mr. Chairman, because that I think that the operation of the Bank, at least I am convinced that the operation of the Bank and the method in which it is operating shows there is some other alternative discipline of the gold system in working out some of the problems of international trade.

Mr. REUSS. Mr. Rees?

Mr. REES. I believe my questions can be answered by another witness.

Mr. REUSS. Thank you.

Mr. Bingham?

Mr. BINGHAM. I would just like to say that I am very happy to be here and hear these presentations which are most impressive. I had an opportunity to attend the meeting of the Bank last week, at least

briefly, and I am most interested in its operations. I will be glad to submit my questions in writing.

(The questions of Mr. Bingham to Secretary Fowler follow:)

*Question 1. I am concerned about the matter of coordinating the operations of the IADB with those of other aid agencies such as the IDA, IFC, USAID, and UNIP. I note particularly the reference to preinvestment feasibility studies of page 12 of Secretary Fowler's statement, which are a specialty of the UNDP. What are the IADB's specific procedures to avoid confusion and overlap? Is some sort of specialization among the various agencies practical and desirable?*

(Treasury Department reply to question 1)

#### THE INTER-AMERICAN DEVELOPMENT BANK AND INTER-AGENCY COORDINATION

The measures for coordinating the lending and technical assistance activities of the Bank with those of other agencies consist of four elements:

1. Relationships with CIAP (Committee for the Alliance for Progress).
2. Bilateral program reviews with the AID (U.S. Agency for International Development).
3. A reciprocal review procedure with the United Nations development program (UNDP).
4. U.S. Government NAC (National Advisory Council) review procedures.

#### RELATIONSHIPS WITH CIAP

The initiation 3 years ago of the procedure whereby CIAP reviews annually the development programs of the member countries provided for the participating external financial agencies an excellent opportunity not only to review the relationships between their programs and the program of the countries under review, but also an opportunity to review relationships among themselves. This joint enterprise has resulted in a remarkable reduction of opportunity for duplication of effort.

Within the Bank the beginning of the country review process was matched by the establishment of the Office of the Program Adviser which was given the responsibility for maintaining a systematic relationship for the Bank with CIAP, and for developing within the Bank an annual program based on an overall investment strategy and on a tentative allocation of resources by country and by field. The CIAP relationship has made possible the introduction into the Bank's internal program important considerations derived from the experience of working together with other lending agencies in the context of the CIAP country reviews.

#### BILATERAL PROGRAM REVIEWS WITH AID

As a parallel measure to the Bank participation in the CIAP country reviews, a system of annual bilateral discussions has been established with AID, centering on a well-organized exchange of views country by country. These discussions provide annually an opportunity for the two agencies to review pending and prospective loan or technical assistance proposals so as to anticipate policy issues, and specifically, to diminish possibilities of duplication. The centering of the responsibility for this review procedure in the Office of the Program Adviser in the Bank, and in the program office of AID, has led to a continuing relationship on followup issues arising from the program reviews.

#### RELATIONSHIPS WITH THE UNITED NATIONS DEVELOPMENT PROGRAM

More than 3 years ago an agreement was reached with the United Nations development program whereby UNDP would submit to the Bank requests received by the Development Fund for technical assistance and grant assistance from IDB member countries. This same agreement provides for consultation on the initiative of IDB on specific projects which might fall within the area of competence of the UNDP. A number of cases can be cited in which this exchange of information has resulted not only in the elimination of duplication of effort, but, more constructively, of instances in which one agency has supplemented the effort of the others. An outstanding example is the joint support by the development program and the Bank for the Latin American Institute for Economic and Social Planning.

## U.S. GOVERNMENT NAC REVIEW PROCEDURES

In addition to the Bank's own coordinating activities, it should be noted that the U.S. Executive Director receives his instructions from the Secretary of the Treasury, who consults for this purpose with the National Advisory Council on International Monetary and Financial Policies (NAC). The Council is chaired by the Secretary of the Treasury and include the Secretaries of State, Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the President of the Export-Import Bank. Other agencies are invited to participate in the deliberations of the Council as appropriate. A staff committee meets weekly, with the participation of the U.S. Executive Directors in the international institutions. All lending proposals of the international institutions in which the United States participates are reviewed by the NAC. In this process, the NAC seeks to assure adequate coordination among these agencies, and any duplication or overlap is called to the attention of those concerned for corrective action.

Of special interest is the emerging activity of the Preinvestment Fund for Latin American Integration, administered by the Bank. A well-organized procedure has been developed for the coordination of preinvestment activities to be supported from this Fund with those of other agencies. The first and major step toward coordination is the utilization by the Bank of CIAP as the forum for the presentation of the annual program to be financed from the Preinvestment Fund. This forum provides an opportunity for all of the technical assistance and lending agencies involved within the region to express their views and interests in the program.

Several special cases of coordination of activities supported by the Fund can be cited:

1. The program for the development of the River Plata Basin. The preinvestment studies, which it is hoped will ultimately lead to the development of the resources of that vast area encompassing or touching upon five countries, involve the coordinated efforts of the development program of the United Nations, the Organization of American States (OAS), the Economic Commission for Latin America, (ECLA), the Food and Agriculture Organization (FAO), the World Meteorological Organization, the International Labor Office, and the Pan American Health Organization (PAHO), among others. The coordinating agency for this program is the Latin American Institute for Integration, an agency of the Bank.
2. The Bank is collaborating with the United Nations development program and the International Telecommunications Union in the development of a study program aimed at the establishment of an Inter-American Telecommunications Network.
3. A regional transportation study is being coordinated with the OAS, ECLA, the Latin American Association for Free Trade, and with the Secretariat of the Central American Economic Integration Organization.
4. A survey of mineral resources required for fertilizer production will be initiated soon with the collaboration of the U.S. Meteorological Agency, AID, and the Organization of American States.

(NOTE.—CIAP provides a formal opportunity for an exchange of views at least 40 times annually among the following agencies: IDB, AID, IBRD, IMF, FAO, ECLA, and PAHO. In addition to the bilateral relationship between IDB and AID, the Bank maintains a continuous and close relationship with the World Bank, and utilizes FAO and PAHO as technical advisers in their fields of competence.)

*Question 2. Please explain in more detail the letter of credit procedure referred to on page 15 of the Secretary's statement.*

Answer. When U.S. contributions to the FSO are used to finance local expenditures in a borrowing country, the IDB obtains local currencies for this purpose by purchasing currency from the central bank of the borrower's country. The IDB "payment" to the central bank is effected through the opening of a letter of credit in a U.S. bank in favor of the central bank. In effect, this is a promise by the IDB that it will pay U.S. exporters for a certain dollar value of goods shipped to the borrower after required documentation is received. Thus, there is no flow of dollars out of the United States, and the funds provided under this arrangement are firmly tied to the financing of purchases from the United States.

*Question 3. Would you comment, in quantitative terms, on the exception for education and agriculture referred to on pp. 15 and 18.*

Answer. Through December 31, 1966, the use of the Bank's dollar loans to finance local costs in agriculture and education, through the FSO and SPTF, may be summarized as follows:

*Percentage of dollar loans used to finance local costs*

	Cumulative data as of Dec. 31, 1966			Annual data 1966 FSO
	SPTF	FSO	Combined FSO and SPTF	
Agriculture.....	72.1	56.5	62.7	52.6
Education.....	25.1	32.4	28.2	31.6
Agriculture and education combined.....	59.6	52.9	55.8	47.5

In view of the high priority nature of these two activity fields, and the heavy local cost nature of their financing requirements, it was thought inadvisable to impose any fixed local cost financing limitations. However, the Bank intends to keep local cost financing to the minimum consistent with the efficient conduct of these activities, as well as to require appropriate self-help contributions from the borrower toward local project costs. It is expected that in the future approximately 50 percent of dollar loans for agriculture and education will be used to finance local costs. (No more than about 35 percent of dollar loans in all other activities will be used to finance local costs.)

*Question 4. What is the IADB doing to encourage population control measures?*

(Treasury Department reply to question 4)

**THE INTER-AMERICAN DEVELOPMENT BANK AND THE POPULATION PROBLEM**

Although the Bank has recognized the relationship between population growth in Latin America and economic development, the management of the Bank has felt that the desirable course of action is that of support for the programs of other inter-American agencies with more direct operating responsibility in this important field.

Consequently, the Bank several years ago proposed that the Inter-American Committee for the Alliance for Progress (CIAP) take an active interest in the population problem. CIAP subsequently established a population study group within the Social Affairs Department of the OAS. The Bank has also participated in the activities of the Pan American Health Organization in this field. A brief description of the programs of the OAS and PAHO are attached.

Another medium through which the Bank is lending its support for programs in the population field is that of financial assistance to the Latin American Institute for Economic and Social Planning (ILPES) in Santiago, Chile. This center for training and research in economic and social planning has been keenly aware of the demographic problem, and through its relationship with the Latin American Center for Population Studies (CELADE), has incorporated population as an element in its training curriculum. The Bank, incidentally, has provided annually some fellowship support for CELADE.

Although the Bank has not supported directly in its public health programs, the medical aspects of the population problem, it is anticipated that in the future, prospective investments in the implementation of countrywide preventive medicine programs will indirectly provide for such support in those countries which elect to include population measures in their health programs.

**POPULATION ACTIVITIES**

**PAN AMERICAN HEALTH ORGANIZATION (PAHO)**

PAHO has established a program in health and population dynamics which deals with the following major areas:

(1) The assembling, publication, and dissemination of all relevant information on the policies and programs of cooperating public and private organizations, including governments, international agencies, foundations, and universities. In 1966, a Population Information Center was established by PAHO for this

purpose and annual meetings are organized on the health aspects of population dynamics where information on the subject is collated, reported and exchanged;

(2) Education and training programs have been initiated in Chile and Brazil. The curriculum of biostatistical education in the PAHO-supported program in the School of Public Health of the University of Chile has been redesigned to include courses in population dynamics and health. Progress has been made in establishing a center at the University of São Paulo for training university graduates interested in specializing in population dynamics;

(3) PAHO is developing a research program to undertake epidemiological studies of populations and is supporting research in this field by medical schools and other medical institutions in Latin America;

(4) PAHO provides advisory services to governments upon request in the technical aspects of human reproduction but is not involved in operational activities.

#### ORGANIZATION OF AMERICAN STATES (OAS)

The Department of Social Affairs of the OAS carries out the following activities related to population dynamics in Latin America:

(1) Support has been given to the CIAP annual country review programs to include the population variable within the general development framework. A pilot study has been undertaken on the differential long-term impact of alternative rates of population growth on economic and social development in Panama.

(2) In the area of training, in cooperation with Department of Technical Cooperation of the OAS General Secretariat, fellowships for study at the Latin American Center for Population Studies (CELADE) have continued to be granted. In addition, through the special training program of that department, a course for Latin American fellows will be held this year at the National Institute for Population Studies in France.

(3) Descriptive and analytical materials concerning the implications of population trends for development in Latin America have been published and distributed free of charge to pertinent institutions and professional people throughout the hemisphere.

(4) One of the chief preoccupations of the department has been to establish effective and continuing coordination with all the people and institutions concerned with Latin American population questions, both within the OAS Secretariat and outside the Organization. An up-to-date list of specialists and institutions in each country that is concerned with this subject has been maintained, and information has been exchanged on a continuing basis.

*Question 5. What are the IDB's plans for increasing the callable capital needed for its conventional loans?*

*Answer.* At its eighth annual meeting in April 1967, the Board of Governors of the IDB resolved to recommend to their governments an increase of \$1.0 billion in the authorized callable capital of the Bank.

As proposed, this increase would become effective in two equal steps, one not later than December 31, 1968, and the other not later than December 31, 1970. The U.S. share would be \$411.8 million, or 41.18 percent of the total increase. Since this increase will not be needed until 1968, authorizing legislation will not be requested of the Congress until next year.

*Question 6. Please comment on prospects for servicing and repayment of FSO loans.*

*Answer.* Experience with servicing and repayment of FSO loans has been excellent to date. There have been no defaults on FSO loans, and interest and principal payments are generally made on time. It is expected that this experience will continue in the future, for two reasons: (a) FSO loans are made on relatively easy terms, including low interest and maturities of up to 30 years, and are generally repayable in the currency of the borrower; and (b) the great majority of FSO loans are made to governments or government agencies—131 of the 138 FSO loans approved through March 31, 1967 were to public entities. The few FSO loans extended to private borrowers carry government guarantees.

Mr. REUSS. Thank you so much, Secretary Fowler, for staying with us as long as you did.

We will now proceed to offer members an opportunity to examine any of the other witnesses.

Before I recognize Mr. Moorhead, let me say that Mr. Gonzalez had to leave to preside at a Texas delegation lunch.

(Mr. Gonzalez submitted the following question to Secretary Fowler to be answered for the record:)

*Question. Under the Foreign Assistance Act one of the criteria for bilateral assistance is the extent to which a recipient country is engaging in self-help measures.*

*I have previously heard some criticism that the IDB was principally concerned with the economic viability of a proposed project and did not, in making loans, sufficiently exercise its financial leverage to urge a recipient to mobilize its own resources. I understand that the IDB is now moving to correct this limited policy.*

*What are the Bank's policies with regard to the country's performance of the borrower and what techniques does the Bank apply to further the vital, difficult reforms which recipient countries must make?*

(Treasury Department Reply)

#### THE INTER-AMERICAN DEVELOPMENT BANK AND COUNTRY PERFORMANCE

The Inter-American Development Bank has been deeply aware of the need for self-help and reform as indispensable to progress. This concern of the Bank, initially demonstrated through its concurrence in the Social Progress Trust Fund Agreement in 1961, has been reaffirmed on several important occasions by the Bank's Board of Governors and the Board of Executive Directors. In the 7 years of its existence, the Bank has accumulated an impressive record of contributing to the self-help objective in its member countries through: (a) mobilization of internal financial resources at least equivalent to the total amount of its loans in fields related to its lending activities; (b) the creation of new institutions and the improvement of existing institutions in the Bank's program areas; (c) training of large numbers of people required for efficient public administration; and (d) innovations leading to improved economic efficiency, such as that of promoting regional economic integration.

There is a limit, however, to the role and influence of the Bank alone in the effort to improve performance in the region, since the Bank is only one element among the external forces capable of reinforcing regional self-help policies. It was in recognition of the need to provide guidance to the countries and to the external financial agencies as a whole that the Inter-American Economic and Social Council, in establishing the Inter-American Committee for the Alliance for Progress (CIAP) in 1963, conferred on it the obligation, as a multilateral institution, to spur self-help measures and to evaluate institutional progress of the countries of the region, including fiscal and monetary reforms, within the context of the countries' development efforts. It has been the Bank's policy to cooperate actively, along with its fellow financial agencies in Washington, with CIAP in this joint effort to encourage the adoption of improved performance measures by its member countries. The Bank has lost no opportunity to make its views known through the CIAP country reviews concerning the need for more effective measures in the areas of fiscal policy and fiscal administration, in those country situations in which failure to move with sufficient rapidity has threatened to immobilize the development programs of those countries. On certain occasions the Bank has joined with other agencies in joint representations under the aegis of CIAP to specific countries in a critical economic condition due to lack of progressive measures. In other situations in which the Bank either has accepted the role of financial manager in mobilizing external resources, or has been invited by a country to do so, the Bank has expressed its reluctance to press forward with such responsibilities until evidence could be provided by the country regarding the measures it proposed to take to improve the mobilization of its counterpart resources.

Reference is made to the report of the Executive Directors (NAC special report, annex C, par. 3.09). Also relevant is the attached excerpt from "Policy Guidance for the Use of the Fund for Special Operations," September 28, 1965.

## POLICY GUIDANCE FOR THE USE OF THE FUND FOR SPECIAL OPERATIONS

(Excerpts)

## COUNTRY PERFORMANCE

The Act of Bogota and the Charter of Punta del Este reflect the widespread acknowledgment of the need for institutional reform in basic fields, self-help in a broad and narrow sense, improved national planning, and balance between economic and social investment as fundamental to economic and social progress in Latin America. The Social Progress Trust Fund Agreement between the Bank and the United States reiterated these considerations, and stated: " \* \* \* assistance shall be made available to those projects or programs which are related to effective self-help measures in countries which employ their determination \* \* \* and their willingness to employ their own resources efficiently to the end of meeting social needs and strengthening economic development." The Board of Governors, in adopting Resolution AG-9/64, proposed that the Board of Executive Directors, in establishing guidelines for the administration of the expanded Fund for Special Operations, apply these policies in general to the Fund.

The Bank, in programming the use of its financial resources including those of the expanded Fund for Special Operations, will take into consideration country performance in development efforts, including specific institutional reforms, and fiscal and monetary policies and measures conducive to economic and social progress. To this end, the Bank will maintain close relationships with other agencies engaged in furthering economic and social development of Latin America, both directly and through CIAP. Without diminishing the Bank's responsibility for its own decisions, the consensus reached jointly with CIAP concerning country performance should be a significant factor to be taken into consideration in the allocation of the Bank's financial resources.

Through the Office of the Program Adviser, close collaboration will be maintained with CIAP and the other lending agencies, including AID. This coordination will facilitate the internal review of country programs, taking into consideration CIAP assessments of country performance as well as the criteria governing the Fund for Special Operations. Consequently, the preliminary finding of eligibility for projects heretofore required for the Social Progress Trust Fund will no longer be necessary.

Mr. REUSS. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

First, I must comment that I think the progress that you have made toward getting self-help programs going, that we reduced the ratio of U.S. aid to Latin American aid from 11 to 1 and then to 5 to 1 and then 3 to 1 and that you are encouraging some of the Latin American countries to give aid to their neighbors is most rewarding, and in that connection I am particularly interested in the multinational projects.

One, and only one, was mentioned as being in existence. That was the Acaray River hydraulic powerplant. Is the Bank now financing any other multinational projects?

Mr. DAVIS. The road from Chile to Argentina is another example and there are many in the Central America region, but many of these projects are now in the works for further study.

Mr. MOORHEAD. I wonder if those are fairly well down the road, and if so, can they be listed for the record? I think if this is the kind of thing that the Bank can do perhaps other institutions could do as well.

Mr. DAVIS. Be delighted, sir.

(The information referred to follows:)

## MULTINATIONAL PROJECTS UNDERWAY

The first loan from the Pre-Investment Fund will be used to finance feasibility studies for the expansion of a hydroelectric plant on the Acaray River in Paraguay, to serve Brazil and Argentina, as well as Paraguay. In 1966, the Bank



approved a \$15 million loan to complete the Chilean segment of the most important overland communication route between Chile and Argentina, which is also part of the Pan-American Highway. This road will connect the port of Valparaiso in Chile with the city of Mendoza in Argentina, joining together vast producing and consuming regions with a total population of 5 million. The Bank has supported the Central American Bank for Economic Integration (CABEI) with total loans of \$35.4 million. Recent operations with CABEI include a \$3 million loan for multinational project feasibility studies and a \$15 million loan to the Integration Fund established by CABEI for infrastructure works of multinational scope within the Central American Common Market.

Mr. MOORHEAD. Another thing occurs to me, and I guess I am directing my attention here to Mr. Davis, is that since we do have so many institutions, including our own AID Agency and other national institutions involved in assisting development in Latin America, how do we assure that there are not gaps or overlaps and duplication in the various programs?

Mr. DAVIS. The United States directly votes upon all of the loans in the Fund for Special Operations. We have 42 percent of the total vote, and each loan must be approved by two-thirds of the majority of the stock held in the Bank. So that, theoretically, we have the veto power, although we have never used it as such.

But we have used it as a means of trying to convince people that possibly they should think more along our terms.

But more importantly, the National Advisory Council considers each proposal to be voted upon by the U.S. Director in the Bank and the U.S. Directors in other international financial institutions. So that the NAC, as it is called, is our focal point of control, which provides the necessary policy coordination.

Mr. GORDON. Could I supplement?

Mr. MOORHEAD. Certainly.

Mr. GORDON. With respect to the other international agencies, we also have devised now what I think is an increasingly effective system of coordination. It has both the informal and formal aspects. First there is the fact that they are all located in Washington and there are regular meetings among their staffs. I am speaking now of the international bank family, which includes, of course, the Bank itself, the IFC, the IDA, which hasn't done much in Latin America, but we hope it will do more—then the Inter-American Bank, and our own Government.

On the formal side, there are the CIAP, and the representatives of all the lending agencies: the World Bank, International Monetary Fund, the IDB, and the U.S. AID who are stationed in the countries themselves.

Also, in a number of countries we are developing the so-called consultative groups or consortia precisely to insure that this sort of coordination takes place. Some are under the leadership of the World Bank, sometimes they are under the lead of the Inter-American Bank, but, in any case, agencies do discuss with country representatives who should do what kind of projects. This is done in order to maintain a sort of division of functions and to avoid either overlaps or gaps in the country program as a whole.

Mr. MOORHEAD. Has Canada contributed to the Special Fund?

Mr. DAVIS. They have a separate fund and they make loans available from this particular fund through the Bank.

Mr. MOORHEAD. Through the Bank? Thank you, Mr. Chairman.

Mr. REUSS. Mr. Hanna?

Mr. HANNA. Mr. Chairman, I want to associate myself with the remarks of my colleague from Pennsylvania. I am most impressed by the fact that we are moving with self-help into mutual help and that we are reducing our proportionate share of involvement.

I would also like to comment about this movement to agriculture. It has seemed to me in the Bank's operations and in the AID operations we have done a lot for the capitalists, while we have done a lot for the capitalists than we have for the countries, and that probably is due to the internal politics, as well as our own tendency to reflect what we find. It does seem to me that if we are going to make the kind of progress we really want to make in these underdeveloped countries, we are going to have to quit putting the horse in the rabbit stew for the capitalists and put the rabbit in and force him into the country. I want—I wonder if I am correct in having this kind of reaction as to a tendency of the past, Mr. Gordon.

Mr. GORDON. I don't think I would agree with that, Mr. Congressman. The past distribution of aid to Latin America has been—in the first instance heavily—in the two basic fields of infrastructure which are roads and electric power.

Mr. HANNA. Where are these distributed? I am thinking of a country like Peru. What is it? One-third of the population is in Lima. What are you going to do with Peru? I do not care whether you have infrastructure or what you are doing.

Mr. GORDON. It is not actually a third of the population. I think it is roughly 2 million people out of 12 million. But we have been working specifically in the case of Peru extensively on programs which are designed to work with local communities in the countryside. The Peruvian Government has its so-called popular cooperation effort which is partially a local community self-help effort supplemented by various types of goods and machinery where necessary, provided by the Government, partly out of its resources, and partly with the help of foreign loans.

The Inter-American Bank and the AID both have contributed to that program.

I think, myself, that the process of development does require both an incentive effort in the agricultural field of the kind that I have described, and also continued concentration on industrialization on some areas of these basic infrastructure. When you build highways, after all—

Mr. HANNA. They serve markets.

Mr. GORDON. And bring the countryside and cities into economic connection with one another. And the physical disintegration of Latin America both as among countries and within countries, has been one of the great barriers to the actual development of the region.

Industry has to go along parallel with agriculture because as agricultural productivity improves—and taking into account the very

heavy rates of population increase—there will continue to be internal migration from countryside to city. That is not necessarily unhealthy, provided that there are increasing jobs in the available cities. I hope, myself, that it will take the form more of smaller cities in the interior of the various countries, rather than the superexpansion of capital cities.

Mr. HANNA. That could be encouraged, could it not, by having factories for fertilizer or farm machinery plus food processing closer to the farm?

Mr. GORDON. Yes; it could and this is something we have very much in mind.

Mr. HANNA. Thank you.

Mr. REUSS. Mr. Rees?

Mr. REES. I have several questions.

What percentage of your hard-window and soft-window loans are to public agencies and what percentage are to private businesses?

Mr. DAVIS. I don't have a percentage figure here but I would say, really going back into the background of the Bank, and following forward—

Mr. REUSS. In this connection, and without objection, it will be received into the committee hearings, and the annual report of the Bank for 1966 will be made a part of the record.

(The information referred to follows:)

*Distribution of IDB loans between public and private sectors as of Dec. 31, 1966*

[Dollar amounts in millions]

	Ordinary	FSO	SPTF	Total
Loans to private sector, including indirectly, through public intermediaries:				
Amount.....	\$357	\$161	\$53	\$571
Percent.....	48	25	11	80
Loans to governments and government agencies:				
Amount.....	\$390	\$496	\$448	\$1,334
Percent.....	52	75	89	70
Total:				
Amount.....	\$747	\$657	\$501	\$1,905
Percent.....	100	100	100	100

(The annual report may be found in the appendix, p. 265.)

Mr. REUSS. This gives a play-by-play breakdown.

Mr. DAVIS. Generally speaking it is to the public sector of roads, agricultural irrigation projects, that type of thing, primarily, but it is broken down in the report and we can furnish it to you separately.

Mr. GORDON. Could I add one word, Congressman Rees?

I think one occasionally has to bear in mind, or one should bear in mind in this connection, that while certain of these loans are often made in the first instance to the public sector, they end up in private hands. I mean legitimate private hands. When you help agricultural credit agencies, for example, those agencies are almost always government agencies. But there are subloans which in turn are made to farmers, and all over Latin America, except in Cuba, these are all private individuals. They are in the private sector.

Likewise, there has been quite a lot of attention given in recent years to development banks, and other credit institutions to help development of small and medium industry. There again, the loan in the first instance in most cases—there are some private development banks, but most of them are public or mixed public and private and there again, the outside loan in the first instance goes to the government agency, but the subloans from it, the real use of the resources for helping to build up the economy go to the private sector.

Mr. REES. Loaning directly to banks which then lend to farmers?

Mr. GORDON. Yes, sir.

Mr. REES. Are these major loans or minor loans?

What type of agriculture are you stimulating?

Mr. DAVIS. To the individual farmer, let's say, who would be the recipient of the subloan, generally I would say it would not exceed a loan of \$25,000 and that would be a very large loan. I would also like to point out that in any development, process loans first must go to the development of the public sector such as for roads, electric power, things of that type. Following that type of development, development in the private sector can come more easily into being.

Mr. REES. It is of interest to me. I was engaged in agricultural development work in Mexico, many times land reform sounds good, but you find it curtails the agricultural production. I am interested in the development of agriculture in Latin America.

Mr. GORDON. Could I make one comment on that, specifically, Congressman?

This is an AID development—we developed a very interesting agricultural credit loan in Mexico which is directed in between these two, directed in fact, at the small, private farmers. This is being administered with the help of a whole group of private banks in Mexico who handle the sub lending process and it has been remarkably effective.

I was down there for a 3-day visit in company with the Secretary of Agriculture of Mexico a few months back and we went out into a couple of the agricultural regions in the Central Valley of Mexico and I met with groups of farmers who had benefited by these loans. They were putting them to extremely good use. There were cases where, through a simple thing, a tractor, or a loan for some irrigation wells, they had been able to get two crops instead of one—literally doubling their output and doing it in 1 year. This is an extremely valuable contribution to productivity addressed to the small farmer.

Mr. REES. Thank you.

My second question is: When you coordinate with the IMF or the World Bank, do you have any one bank specializing in a specific type of loan?

Mr. GORDON. We have developed some general divisions of function country by country.

The tendencies, for example, have been for concentration of the World Bank and the ordinary capital of the Inter-American Bank in certain of these basic infrastructure projects, such as electric power. AID, by and large, has moved out of that with a small number of exceptions.

When the Social Progress Trust Fund was making loans in the field of education there was a kind of working division between the Inter-American Bank and the AID in which the Inter-American Bank did most of the higher education projects and AID was doing most of what was done in primary and secondary education.

So, there is a continuous consultation really, among these agencies. There is no absolutely fixed line, but the idea is to review together the whole span of things and to see which lending agencies are in the best position, administratively or otherwise, to deal with it. There are differences in administrative convenience. AID has large standing missions in the field and for certain types of lending it is better to work through it because it can have this sort of continuous discussion with the local authorities concerned, continuing supervision.

But there is no hard and fast rule governing these things.

Mr. REES. Does the Inter-American Development Bank loan more than the World Bank does in Latin America?

Mr. GORDON. I have some figures on that. Last year in 1966 it was about \$396 million by the Inter-American Bank and about \$323 million by the World Bank. So they are of the same general order of magnitude.

Mr. REES. The last question. I would like some idea what the percentage of bad loans have been in the past few years, both on the soft-window and hard-window operations?

Mr. DAVIS. Very interestingly in that regard there have been only two defaults in the history of the Banks. In both cases, the loans were made to private borrowers from the Bank's ordinary capital resources, and in both cases the Bank has instituted foreclosure proceedings. The amounts involved represent less than one-half of 1 percent of the Bank's loan commitments. In any normal commercial banking viewpoint if you only had two defaults in 6 years maybe you are not loaning enough money.

Mr. REES. Thank you.

Mr. REUSS. Mr. Bingham?

Mr. BINGHAM. Could I just say I noticed that Ambassador Linowitz has been sitting here and I am wondering if he has anything to add to the discussion. He is one of the outstanding citizens of my State, and I think his presence at least ought to be recognized.

Mr. LINOWITZ. Thank you for that recognition.

I think everything that had to be said is well said.

Mr. REUSS. I have a number of questions. I will address them to you, Mr. Knowlton, for answers in the record.

Unless there is objection, let the record be kept open until next Tuesday so these questions may be answered.

I think it might be useful if the questions that I am about to propound and indeed, any others could be answered jointly by the Treasury and the State Department, or at least cleared with each other. Most of them fall into Treasury's special field. The State Department will have something to say on many of them, too, and we can eliminate a lot of duplicating work. I am sure that is agreeable.

(Mr. Reuss' questions to Secretary Fowler follow :)

*Question 1. Last year the subcommittee was informed that the Inter-American Development Bank had recommended that the Intergovernmental Committee on the Alliance for Progress (known as CIAP) undertake the systematic study of the ramifications of the population problems in the various Latin American countries in order to provide such countries with a basis for a formulation of policies designed to balance population and economic growth. Has such a study been undertaken?*

*What other steps have been taken concerning the question of population policy?*

(Please refer to the material submitted in response to the similar question by Mr. Bingham on p. 36.)

*Question 2. Please prepare and submit for the record a table showing the comparable voting power of the United States in the Inter-American Development Bank and the U.S. voting strength in other international development financial institutions.*

(Treasury Department answer)

*U.S. voting strength in international development financial institutions (as of Dec. 31, 1966)*

<i>Institution:</i>	<i>U.S. vote as percent of total vote:</i>
Inter-American Development Bank .....	42.47
International Bank for Reconstruction and Development .....	26.32
International Development Association .....	26.23
Asian Development Bank .....	17.23

*Question 3. Please furnish for the record a statement of the present dollar volume of U.S. exports to each of the regional members of the Inter-American Development Bank.*

(Treasury Department answer)

*U.S. exports to Latin American members of the IDB, 1966*

[In millions of dollars]

Argentina .....	\$ 239.6
Bolivia .....	45.7
Brazil .....	566.4
Chile .....	250.2
Colombia .....	288.5
Costa Rica .....	62.1
Dominican Republic .....	87.5
Ecuador .....	80.2
El Salvador .....	69.3
Guatemala .....	89.4
Haiti .....	2.6
Honduras .....	67.6
Mexico .....	1,179.5
Nicaragua .....	70.6
Panama .....	137.5
Paraguay .....	19.2
Peru .....	304.6
Trinidad-Tobago <sup>1</sup> .....	59.2
Uruguay .....	23.0
Venezuela .....	595.0
<b>Total .....</b>	<b>4,232.6</b>

<sup>1</sup> IDB membership formally approved April 1967, but not yet effective.

Source: U.S. Department of Commerce.

## 46 INTER-AMERICAN DEVELOPMENT BANK ACT AMENDMENTS

Question 4. Could you please furnish the committee with a consolidated picture of the financing of the Alliance for Progress in the form of a statistical table giving the commitments in dollar equivalent of all agencies involved for each Latin American country and by field of activity for the calendar years 1963 to date.

(Treasury Department answer)

Total U.S., IDB, and IBRD assistance to Latin America, commitments—calendar years 1963–66

[In millions of dollars]

	AID <sup>1</sup>	Export- Import Bank <sup>2</sup> (long term)	Food for Peace	SPTF	Peace Corps	Total U.S. assist- ance	IDB (ordi- nary FSO)	IBRD and IDA
<b>Argentina:</b>								
1963	80.9					80.9	29.2	
1964	9.1	1.4		3.5		14.0	26.2	
1965	1.4	56.3		5.0		62.7	45.2	
1966	1.6					1.6	28.3	
<b>Bolivia:</b>								
1963	45.6		7.0	4.4	1.1	58.1	6.0	
1964	48.0		12.6	.3	2.2	63.1	3.5	1.5
1965	10.1		5.3	3.3	1.3	20.0	1.3	
1966	28.3		7.7		2.2	38.2	16.9	
<b>Brazil:</b>								
1963	87.2		118.7	4.5	1.5	211.9	19.6	
1964	323.2		123.3	6.7	4.2	457.4	81.9	
1965	105.1	28.0	46.6		2.6	177.3	90.9	79.5
1966	238.3	1.6	84.8		5.5	330.2	98.7	149.6
<b>Chile:</b>								
1963	51.1	17.7	4.4	2.6	.7	76.5	17.3	24.0
1964	152.5	20.0	26.4	9.8	2.3	211.0	12.9	
1965	16.4	3.6	32.6	3.5	1.3	57.4	27.7	7.1
1966	93.2	2.5	6.8		2.2	104.7	45.6	60.0
<b>Colombia:</b>								
1963	33.8	2.5	14.9		3.4	54.6	24.9	73.8
1964	79.7	23.3	28.3	18.1	4.5	153.9	12.4	45.0
1965	68.6	4.0	8.0	.5	2.1	83.2	27.7	
1966	22.3	3.4	19.0		4.7	49.4	22.7	41.7
<b>Costa Rica:</b>								
1963	19.7		2.3	.1	.3	22.4	1.0	22.0
1964	4.8		.5	9.0	.6	14.0		
1965	7.7		1.4		.4	9.5	8.7	
1966	2.1	3.2	.8		1.1	7.2	2.4	
<b>Dominican Republic:</b>								
1963	25.8		22.9		.9	49.6	6.0	
1964	6.5	8.0	4.5	2.1	1.0	22.1		
1965	84.2	5.2	10.9	1.7	.6	102.6	5.2	
1966	59.3	8.9	4.4		.9	73.5		
<b>Ecuador:</b>								
1963	8.3	.8	5.0	10.9	1.6	26.6		
1964	21.2	8.0	4.8	.3	2.9	37.2	6.0	17.0
1965	12.4	6.3	5.3	3.0	1.1	28.1		
1966	15.8		2.2		2.0	20.0	12.0	
<b>El Salvador:</b>								
1963	19.2		1.5		.4	21.1		15.5
1964	11.0		2.2	4.4	.4	18.0		
1965	5.5	2.5	2.2	6.0	.3	16.5	3.0	
1966	3.3		1.2		.9	5.4		
<b>Guatemala:</b>								
1963	4.7		1.2	2.5	1.0	9.4	3.4	
1964	10.6		1.1	3.0	.5	15.2	.2	
1965	3.8		.5		.4	4.7		
1966	3.7	13.4	.8		.4	18.3	16.3	
<b>Haiti:</b>								
1963	1.5		.8			2.3		
1964	1.5		1.2			2.7	2.4	
1965	1.4		.7			2.1		
1966	2.7		.5			3.2	1.3	
<b>Honduras:</b>								
1963	6.1		.3	3.7	.2	10.3		
1964	9.6		.4	.4	.9	11.3	.2	
1965	8.4	.4	.4		.5	9.7	10.5	9.5
1966	5.6		.7		.7	7.0	9.7	4.8

See footnotes at end of table.

*Total U.S., IDB, and IBRD assistance to Latin America, commitments—calendar years 1963-66—Continued*

	AID <sup>1</sup>	Export- Import Bank <sup>2</sup> (long term)	Food for Peace	SPTF	Peace Corps	Total U.S. assist- ance	IDB (ordi- nary FSO)	IBRD and IDA
<b>Mexico:</b>								
1963	20.3	33.8	10.0	17.1		81.2	58.3	52.5
1964	2.4	107.3	13.6			123.3	13.0	
1965	24.9	16.3	.6	4.8		46.6	55.0	167.0
1966	.2	106.1				106.3	39.1	19.0
<b>Nicaragua:</b>								
1963	3.4	1.2	.9	.2		5.7		.3
1964	8.0		.8	5.3		14.1	11.4	
1965	14.3	2.9	.9			18.1	15.5	
1966	14.1		.9			15.0	8.3	5.0
<b>Panama:</b>								
1963	8.2	7.4	.3		.5	16.4	.3	
1964	11.6	3.5	.5		7.8	23.4	1.0	
1965	5.5		.5	2.5	.8	9.3	9.0	
1966	21.7		.3		.9	22.9	7.7	
<b>Paraguay:</b>								
1963	3.0		3.0			6.0	16.3	3.6
1964	5.7		3.4	3.4		12.5	4.0	2.2
1965	2.2		.3	1.5		4.0	.7	2.8
1966	11.6		3.2		.2	15.0	6.7	9.6
<b>Peru:</b>								
1963	7.4	12.9	6.6		2.7	29.6	7.2	28.2
1964	33.7	38.5	14.2	9.6	3.2	99.4	2.2	3.1
1965	5.3	14.8	7.6	9.3	1.6	38.6	12.0	59.0
1966	18.8	7.7	6.7		3.6	36.8	42.8	19.1
<b>Uruguay:</b>								
1963	7.1		.6		.6	8.3	5.0	
1964	6.4		.6		.2	7.2	3.6	
1965	1.0		.5		.2	1.7	3.6	12.7
1966	6.0		.3		.3	6.6	1.5	
<b>Venezuela:</b>								
1963	2.1	19.1	3.7	1.0	.7	26.6	5.5	85.0
1964	1.7	12.8	4.0	10.0	2.2	30.7	10.0	44.0
1965	1.9	16.1	3.9	10.0	1.4	33.3		37.0
1966	1.6	9.4	1.7		3.4	16.1	20.2	21.3
<b>Regional:</b>								
1963	14.9		.3			15.2	6.0	
1964	21.4		.4			21.8	8.2	
1965	11.0		.6		1.7	13.3		
1966	18.2		.4		2.1	20.7	13.0	
<b>ROCAP:</b>								
1963	18.2					18.2		
1964	19.1					19.1		
1965	38.7					38.7		
1966	3.9					3.9		
<b>Total:</b>								
1963	468.5	95.4	204.4	47.1	15.6	830.9	206.2	304.9
1964	787.7	222.8	242.8	85.9	32.9	1,372.2	199.1	126.3
1965	419.7	151.4	128.8	51.2	16.3	777.4	316.0	374.6
1966	572.3	156.2	142.4		31.2	902.0	393.1	311.1

<sup>1</sup> Includes loans and grants.

<sup>2</sup> Excludes reschedulings.



*Agency for International Development—Commitments by fields of activity, capital and technical assistance, fiscal years 1963-68*

[In millions of dollars]

Country	Food and agriculture	Power	Other industry and mining	Transportation	Labor	Health and sanitation	Education	Public safety	Public administration	Community development and social welfare	Housing	Private enterprise promotion	General and miscellaneous	Technical support	Fiscal years 1963-66 total
Argentina.....	25.5	4.8	0.2	37.9	0.2	1.0	9.2	0.1	0.4	1.7	14.8	6.7	3.1	1.3	92.7
Bolivia.....	9.6	9.4	0.2	59.4	0.8	18.9	7.8	3.8	3.8	1.6	.4	3.4	1.6	2.1	103.1
Brazil.....	53.8	130.2	32.3	80.8	1.5	18.7	7.8	3.9	3.5	1.7	.1	3.4	21.4	13.1	366.4
Chile.....	5.3	3.3	.4	7.1	1.0	4.5	3.4	1.6	3.4	1.6	8.8	22.6	1.7	3.2	68.1
Colombia.....	33.3	1.3	2.7	4.4	—(*)	3.0	2.4	4.4	1.3	1.1	8.1	10.2	8.2	3.1	79.6
Costa Rica.....	8.3	3.3	.2	2.1	.9	1.1	1.2	1.5	2.6	.3	2.5	5.0	1.2	1.2	23.7
Dominican Republic.....	15.4	—	.2	16.3	.5	3.2	2.8	1.0	2.3	—	7.1	4.8	1.0	4.1	42.0
Ecuador.....	1.6	2.3	.3	16.0	.2	3.6	9.6	2.0	2.8	—	3.1	5.4	4.5	2.5	42.2
El Salvador.....	10.2	—	—	2.0	—	3.0	4.7	.9	1.1	—	—	—	5.1	1.1	37.7
Guatemala.....	1.5	—	5.1	—	—	5.1	3.2	.8	2.3	—	(*)	.5	2.6	1.5	21.5
Haiti.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Honduras.....	2.3	—	.7	5.8	.1	3.8	3.0	.7	—	—	2.1	8.0	.6	.8	23.3
Mexico.....	23.5	—	—	—	—	—	3.2	.2	—	—	20.7	12.0	—	.8	47.8
Nicaragua.....	3.7	.5	5.7	1.6	.7	3.7	4.2	.5	2.1	—	3.7	12.5	1.9	1.9	43.1
Panama.....	3.7	—	.2	1.9	.2	7.6	2.6	—	1.0	—	2.2	3.0	2.8	1.9	34.6
Paraguay.....	10.9	—	—	10.9	—	.5	8.0	—	3.0	—	—	3.0	.9	2.9	34.0
Peru.....	21.5	5.8	2.0	14.7	1.0	.1	8.0	2.9	3.0	.2	6.1	3.1	.1	2.5	62.0
Uruguay.....	9.8	(*)	.4	—	.4	—	1.1	.5	—	—	—	—	—	—	21.9
Venezuela.....	.8	—	—	—	—	—	2.4	1.4	2.2	—	30.4	—	—	1.1	37.2
ROCAP.....	4.4	—	4.1	5.8	1.2	—	4.3	—	—	—	10.6	45.0	2.5	1.7	78.2
Regional.....	4.6	—	1.0	1.1	4.8	4.7	5.9	1.2	1.1	.4	.9	.5	27.1	(*)	53.3
Latin America total (19).....	239.3	151.5	65.5	246.2	15.1	65.9	80.0	23.4	32.6	6.6	128.4	146.7	84.8	45.6	1,329.6

*Export-Import Bank long-term loans approved, by country and purpose, calendar years 1963-66*

[Amounts expressed in millions of U.S. dollars]

	Transport and ports	Electric power	Industry and mining	Agricul- ture	Miscellane- ous and general develop- ment	Water supply and sewerage	Educa- tion	Housing	Pre-invest- ment	Export financing	Total
Argentina.....	29.4		28.2								57.6
Bolivia.....											24.6
Brazil.....	17.0		7.6								24.6
Chile.....	2.2		35.4		15.0						52.6
Colombia.....		17.5	7.5	2.5		2.3					29.7
Costa Rica.....			3.2								3.2
Dominican Republic.....		16.9	5.2								22.1
Ecuador.....	8	8.0	.8		4.5						13.1
El Salvador.....	2.5										2.5
Guatemala.....	13.4										13.4
Haiti.....											12.4
Honduras.....				.4							.4
Mexico.....	120.2	25.7	112.9		2.8		1.1				263.7
Nicaragua.....	2.8		1.3								4.1
Panama.....	3.5	7.3									10.8
Paraguay.....											
Peru.....	40.0	4.7	13.8	1.7							60.2
Uruguay.....											
Venezuela.....	38.6		28.1		1.0						67.7
Regional.....											
Total, 1963-66.....	270.4	89.1	243.9	4.6	25.3	2.3	1.1				637.7

*IDB loans approved from ordinary capital funds, by country and purpose, calendar years 1963-66*  
 [Amounts expressed in millions of U.S. dollars]

	Transport and ports	Electric power	Industry and mining	Agricul- ture	General develop- ment <sup>1</sup>	Water supply and sewerage	Educa- tion	Housing	Pre-invest- ment	Export financing	Total
Argentina.....	0.8	6.2	32.1	40.0		4.5				3.5	87.1
Bolivia.....											153.1
Brazil.....		62.2	70.5			5.0			1.3	14.1	188.2
Chile.....	15.0	19.3	17.4	1.2	3.0	5.1				2.0	55.9
Colombia.....			2.0								2.0
Costa Rica.....				6.0							6.0
Dominican Republic.....	6.0										6.0
Ecuador.....			3.0								3.0
El Salvador.....		3.1			3.2						6.3
Guatemala.....											
Haiti.....											
Honduras.....											
Mexico.....	21.0		17.0	58.6						5.2	101.8
Nicaragua.....			3.3	9.0						1.0	13.3
Panama.....				1.5							1.5
Paraguay.....			2.2								2.2
Peru.....	4.0		12.7	5.2						1.0	22.9
Uruguay.....					5.0	2.6					7.6
Venezuela.....			13.0	5.5		10.0					28.5
Regional.....			10.0								10.0
<b>Total, 1963-66.....</b>	<b>46.8</b>	<b>90.8</b>	<b>210.8</b>	<b>130.5</b>	<b>11.2</b>	<b>27.2</b>			<b>1.3</b>	<b>26.8</b>	<b>546.4</b>

<sup>1</sup> Comprised of loans for broad economic programs, and undertakings combining industrial and agricultural purposes.

## IDB loans approved from the FSO, by country and purpose, calendar years 1963-66

[Amounts expressed in millions of U.S. dollars]

	Transport and ports	Electric power	Industry and mining	Agricul- ture	General develop- ment <sup>1</sup>	Water supply and sewerage	Educa- tion	Housing	Preinvest- ment	Export financing	Total
Argentina.....						20.5	4.8	12.2	4.9		42.4
Bolivia.....		3.5	19.7	1.1			1.3		2.1		27.7
Brazil.....	25.6	9.1	6.0	20.5		51.6			2.1		135.0
Chile.....	15.0			11.0		15.5		20.0	5.2		65.3
Colombia.....		3.3		9.7		4.7	14.0	12.1	3.0		31.7
Costa Rica.....			2.2	6.6		1.3					10.1
Dominican Republic.....			5.2								5.2
Ecuador.....						12.0					12.0
El Salvador.....		.2									.2
Guatemala.....	9.0				2.8	1.3	1.3		.5		13.6
Haiti.....						2.4					3.7
Honduras.....	10.1				7.0			2.7	.6		20.4
Nicaragua.....	33.0			20.9			1.0		8.8		63.7
Panama.....	12.0			9.6					.5		22.1
Paraguay.....	3.5			2.0			.7	9.0			16.5
Peru.....		14.2	1.0	.7	6.0				.7		25.6
Uruguay.....			4.0	35.8			1.8		3.6		41.2
Venezuela.....				3.6		1.0			1.5		6.1
Regional.....			14.2			7.2					7.2
Total 1963-66.....	108.2	30.3	52.3	121.5	15.8	117.5	33.6	56.0	34.7		569.9

<sup>1</sup> Composed of loans for broad economic programs, and undertakings combining industrial and agricultural purpose.

*IDB loans approved from the Social Progress Trust Fund, by country and purpose, calendar years 1963-66*

[Amounts expressed in millions of U.S. dollars]

	Transport and ports	Electric power	Industry and mining	Agricul- ture	General develop- ment <sup>1</sup>	Water supply and sewerage	Educa- tion	Housing	Pre-invest- ment	Export financing	Total
Argentina.....						8.5	1.1				8.5
Bolivia.....					0.4	2.6	4.0	4.0			8.1
Brazil.....				4.7		2.5	2.3				11.2
Chile.....				1.5	.6	2.5		9.0			15.9
Colombia.....				7.0			1.1	10.0	0.5		18.4
Costa Rica.....	4.0			1.3				3.6	.2		9.1
Dominican Republic.....							9	1.7			3.8
Ecuador.....				7.4		1.2	1.0		.3		14.2
El Salvador.....				5.5		5.5		6.0			10.4
Guatemala.....				4.4		3.0					5.5
Haiti.....				2.5							
Honduras.....						2.5					4.1
Mexico.....	1.6			5.0		4.8	2.1	10.9			21.9
Nicaragua.....								5.2	.2		5.4
Panama.....				2.5							2.5
Paraguay.....							1.5	3.4			4.9
Peru.....				3.5		9.7	4.5	1.2			18.9
Uruguay.....											
Venezuela.....						10.0	1.0	10.0			21.0
Regional.....							2.9				2.9
Total, 1963-66.....	5.6			35.4	1.0	57.2	22.4	64.1	1.2		186.9

<sup>1</sup> Comprised of loans for broad economic programs, and undertakings combining industrial and agricultural purposes.

*Question 5. What is the present status of each of the loan windows administered by the Bank, including the Social Progress Trust Fund, ordinary capital, and the Fund for Special Operations?*

(Treasury Department answer)

*Status of Inter-American Development Bank loan windows as of Mar. 31, 1967*

[In millions of dollars]

**A. Ordinary capital:**

**1. Capital structure:**

Authorized capital.....	2,150.0
Less: Unassigned.....	380.2
Subscribed capital.....	1,769.8
Paid-in capital.....	381.6
United States.....	150.0
Latin American.....	231.6
Callable capital.....	1,388.2
United States.....	611.8
Latin American.....	776.4

**2. Status:**

Paid-in capital.....	381.6
Borrowings.....	437.5
Total.....	819.1
Less: Loan authorizations.....	783.2
Plus: Loan repayments.....	42.1
Participation sales.....	18.5
Unutilized portion of borrowings.....	7.9
	68.5

Balance available for lending.....	104.4
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Memorandum: Unutilized borrowing authority.....	166.4
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**B. Fund for Special Operations:**

Total contributions.....	1,119.5
United States.....	900.0
Latin American.....	219.5
Less: Loan authorizations.....	721.8
Plus: Loan repayments.....	12.5
Participation sales.....	0.9
	13.4
Balance available for lending.....	411.0

**C. Social Progress Trust Fund:**

Amount of fund.....	525.0
Less: Loan authorizations.....	501.2
Plus: Loan repayments.....	30.3
Less: Administrative and technical assistance expense.....	27.6
Assigned to preinvestment fund.....	1.5
	29.1
Balance Available.....	25.0

*Question 6. What are the criteria determining which window of the Bank shall be used in financing a particular project?*

Answer. The Bank provides loans from its ordinary capital resources for projects designed to develop the economic infrastructure of the member countries, such as highways, ports, electric power, irrigation works, telecommunication, and other projects that help to generate basic conditions favorable to more rapid economic development. The ordinary capital resources are also used primarily for revenue-producing enterprises, both public and private.

The Fund for Special Operations was established to enable the Bank to make loans on terms and conditions appropriate for dealing with special economic circumstances in certain member countries or with respect to specific projects. Both infrastructure and revenue-producing projects can be financed under the Fund for Special Operations in countries whose economic position and situation is such that longer terms are required to further the development effort. The projects primarily financed under the Fund for Special Operations include agriculture and housing and are to directly benefit low-income groups or support institutional reforms and new fields embracing social services such as public health, community development, urban development, and education. Loans from the Fund for Special Operations are made on longer terms and at lower interest rates than those which apply to loans from the ordinary capital resources. Loans extended from the Fund may be made for periods ranging up to 30 years and even when extended in dollars may normally be repayed in the currency of the borrower.

*Question 7. It is our understanding that all of the funds of the Social Progress Trust Fund have been obligated but have not been totally disbursed. What is the reason for such delay in disbursement?*

Answer. From the Social Progress Trust Fund, \$501.2 million has been committed in loans and \$313.9 million was disbursed as of March 31, 1967. A general analysis of the \$187.3 million undisbursed portion of the Social Progress Trust Fund loans reveals that the main reasons for undisbursed funds are at present:

(1) The nature of the project sometimes requires 4 to 5 years before final disbursements are made. (Some project loan agreements were not signed until 1966.)

(2) The lead time of a loan to establish a savings and loan system of agricultural credit, Bank depends not on the delivery time of commodities, but on such factors as the time required to develop institutional competence and build deposits to assure the continuity of the projects. It is quite simple to accelerate disbursements without regard to the major institutional and reform objectives of a loan.

(3) The area of slowest disbursement has been in loans for higher education, but this is understandable in that the Inter-American Development Bank has been the pioneer in international financing for higher education institutions. In leading the way, it has exercised the necessary care and therefore disbursements may not flow as if it were a project in the United States, where there is a long tradition of aid to universities.

There are some loans which have been excessively slow moving. The U.S. Executive Director participates in a periodic review in the Executive Board, each month, of slow-moving and problem loans and a careful review of the status of these projects. Appropriate action to accomplish a speedup of disbursements, within sound management and development objectives, is often recommended at such reviews.

The Board and the management agree that funds cannot be earmarked and not spent when the needs of the hemisphere are so great and the resources limited.

*Question 8. Please refresh our recollection as to whether loans by the Inter-American Development Bank can be made directly to governments, to private enterprises, and to nonprofit corporations, such as agricultural or housing corporations.*

Answer. The Bank may make, and has made, loans, directly and indirectly to governments, to private enterprises, and to nonprofit corporations, such as agricultural and housing corporations.

The IDB reaches small and intermediate entrepreneurs through overall credits extended to local development institutions. In the case of direct operations with private borrowers, the Bank may require the guarantee of the Government or of an appropriate public agency; loan operations may also be undertaken with

the guarantee of a commercial bank or of the applicant's parent company. Only in exceptional cases may ordinary guarantees, such as mortgages on real property, or chattel mortgages, be accepted. In any case, the Bank prefers that such operations be covered by bank guarantees.

*Question 9. To what extent does the Inter-American Development Bank channel its financing to small- and medium-size enterprises through local development banks?*

Answer. As of March 31, 1967, the Bank has made 85 loans to various national and regional development institutions, both private and public, which assist small- and medium-size enterprises. These loans have been made to private industrial development banks, public industrial development institutions, and agricultural credit banks. These borrowers, of course, make subloans to the eventual recipients. Bank loans of this type have totaled \$459.6 million, of which \$235.4 million has been disbursed.

*Question 10. What is the pattern of Staffing in the Inter-American Development Bank? Does the United States have adequate staff representation on the staff of the Bank? How would you, in general terms, categorize the competence of the Bank staff?*

Answer. The pattern of U.S. staff in the Inter-American Development Bank is as follows: five persons in the unclassified category, representing 45.4 percent of that category; in the executive category, 35 persons, 29.5 percent; in the professional category, 57 persons, 24.7 percent; administrative, 65 persons, 16.3 percent; for a grand total of 162 North Americans out of 758 employees, representing 21.5 percent. We believe that the United States should provide additional talent to the Bank. However, these people need to be highly qualified, both in technical and linguistic competence. The matching of the competence with the jobs available in the Bank sometimes presents problems. However, we expect to continue to draw to the management's attention such qualified people for placement particularly in the operating divisions. There is a scarcity of highly qualified personnel to staff development institutions in this hemisphere. The competence of the top level of the Bank staff is high and is attested by the following biographical data.

#### PRESIDENT, EXECUTIVE VICE PRESIDENT, KEY EXECUTIVES

*Felipe Herrera, President* (Chile)—Minister of Finance of Chile; General Manager of Central Bank of Chile; Governor of World Bank; Executive Director of International Monetary Fund; attorney at law and social scientist.

*T. Graydon Upton, Executive Vice President* (United States)—Vice president, Philadelphia National Bank; president of Bankers Association for Foreign Trade; Assistant Secretary of the Treasury; Executive Director of World Bank; Director of Development Loan Fund; A.B., c.l., Harvard; Harvard Business School.

*Ewaldo Correia Lima, Manager, Operations Department* (Brazil)—Director of National Development Bank of Brazil; Head of Economic Department of National Confederation of Industry; professor of University of Brazil; Economist, Ministry of Labor.

*Robert B. Menapace, Financial Manager* (United States)—Vice president for Latin American operations, Guaranty Trust Co.; Deputy Director, Development Loan Fund; colonel, U.S. Military Government in Italy and Co-Director, Finance Sub-Committee of Allied Commission; assistant vice president for foreign loans, Guaranty Co.

*Francisco Aquino, Technical Manager* (El Salvador)—President of the Central Bank of El Salvador. Governor of Central American Bank for Economic Integration, International Monetary Fund and World Bank; President of the Joint Boards of Governors IMF/IBRD; President of the Central American Monetary Counsel; Minister of Agriculture of El Salvador; M.P.A., Harvard.

*Elting Arnold, General Counsel* (United States)—Chief, Foreign Funds Control, U.S. Treasury Department; Assistant General Counsel, U.S. Treasury Department; attorney at law.

*Guillermo Moore, Deputy Operations Manager* (Chile)—General Manager, National Labor Bank; Chief Real Estate Division, Bank of Chile.

*Alexander M. Rosenson, Deputy Administrative Manager* (United States)—Chief of the International Finance Division and Director, Office of Regional Latin American Economic Affairs of the Department of State. Ph. D. in economics from the University of Chicago.



*Enrique Pérez-Cisneros, Director, Loan Division, Northern Zone (Cuba)*—Adviser to the Director of Economic Affairs Division, Ministry of State (Cuba), Economic and Commercial Adviser to Cuban Embassies in Europe and the United States.

*James A. Lynn, Director, Loan Division, Southern Zone (United States)*—Assistant Chief, Economic Development Division, Bureau of Economic Affairs, and Assistant Chief, Division of Foreign Reporting, Department of State. Ph. D. in economics, Columbia School of Business, J.D., George Washington University, attorney at law.

*Alfredo B. Hernández, Director, Project Analysis Division (Costa Rica)*—Minister of Economy; Minister of Public Works, General Manager of National Production Council; Director, Central Bank of Costa Rica; Chairman of the Board of the Banco Anglo-Costarricense.

*Hawthorne Arey, Director, Operations Control Division (United States)*—Vice Chairman of the Board of Directors, Export-Import Bank; Vice President and General Counsel, Export-Import Bank; attorney, Home Owners Loan Corporation; attorney at law.

*José A. Epstein, Treasurer (Bolivia)*—Executive Vice President Banco Boliviano-Americano; Director, National Company of Commerce and Industry, Bolivia; resident vice president of American Bolivian Oil Co.

*Pedro Irañeta, Director, Economic and Social Development Division (Chile)*—Chief, Division of Economic Research, Pan American Union; professor of economic theory, Economic Development and Planning, Inter-American Statistical and Financial Center, Santiago, Chile.

*Leonel Torres, Director, Training Division (Columbia)*—Professor of economics, Universidad Nacional Colombia; professor of international trade and balance of payments (CIEF) Chile; economist, Central Bank of Colombia.

*Joaquín Meyer, Director, Division of Information (Cuba)*—Information Officer, IBRD; Representative in the United States of the Cuban Sugar Council; Ministry of Foreign Affairs.

*Milton Messina, Technical Assistance Coordinator (Dominican Republic)*—Administrator of Banco de Reservas; Ambassador to Canada, and United States; Governor, Banco Central; Minister of Economy; Superintendent of Banks.

*Jorge Hazera, Secretary (Costa Rica)*—Minister Counselor and Commercial Attaché, Costa Rican Embassy, Washington, Alternate Executive Director, International Monetary Fund; Costa Rican Ambassador-Representative to Inter-American Economic and Social Council.

*Fausto Ruggiero, Director, Division of Administration (Brazil)*—Chief, Service of General Operations, Department of Economic and Social Affairs, Pan American Union; Inter-American Defense Board; Administrator of Contracts of Brazilian Air Force in the United States; Aeronautic Commission; Liaison Officer with U.S. Marines for Defense Operations in South Atlantic; instructor of the Aeronautic School of Brazil, attorney at law.

*Víctor Alamo, Director, Personnel Division (Venezuela)*—Executive Director and Industrial Relations Manager of Venezuela Electric Power Co.; director, industrial relations of Sears, Roebuck of Venezuela; Consultant of Industrial Relations; executive director of various private enterprises.

*Alfred C. Wolf, Program Adviser (United States)*—Director of foreign development program, Ford Foundation; Program Director, Interior Department; Executive Assistant to the Secretary of the Interior; Office of Defense Mobilization; economist, Labor Department.

*José C. Cárdenas, Integration Adviser (Ecuador)*—Minister of Development; Director, Department of Economic Research and Foreign Exchange of Central Bank of Ecuador; professor of economics; member of various advisory commissions to the Government of Ecuador; Alternate Governor of World Bank.

*G. Lincoln Sandelin, Controller of Operations (United States)*—Officer, Military Government, Germany; financial analyst, Treasury Department; Loan Officer IBRD; Union Guardian Trust Co., Detroit, Mich.

*José R. Chiriboga, Assistant General Counsel (Ecuador)*—Mayor of Quito. Ambassador to the United States and to the Organization of the American States. Alternate Governor of the World Bank and the International Finance Corporation. Ministry of International Relations; doctor of law; professor in sociology.

*Arnold H. Weiss, Assistant General Counsel (United States)*—Attorney Adviser to Office of International Finance, Treasury Department; Congressional Liaison Officer, Treasury Department; B.A., J.D., University of Wisconsin; attorney at law.

*Question 11. All members of the subcommittee, I am sure, have been most pleased with the emphasis placed upon agricultural development at the recently concluded meeting of the Bank's Board of Governors. Can you indicate for us at this time the manner in which the Bank will implement this enthusiasm in its development programs?*

**Answer.** The following letter of May 2, 1967, addressed by the Executive Vice President of the Bank Mr. Graydon Upton, to the U.S. Executive Director, indicates how the Bank plans to proceed with respect to agricultural development.

INTER-AMERICAN DEVELOPMENT BANK,  
Washington, D.C., May 2, 1967.

**Mr. TRUE DAVIS,**  
U.S. Executive Director,  
Inter-American Development Bank,  
Washington, D.C.

**DEAR TRUE:** The Inter-American Development Bank has always considered agricultural development to be one of the central elements in the economic development of Latin America. In line with this concern the Bank has invested very heavily in economic and social projects in the agricultural sector. Indeed, the Bank's agricultural investment of more than \$400 million now makes it the largest single supplier of external resources for the development of agriculture in the region (accounting for almost half of the total external project loans to agriculture from all sources). The Bank's investment in this sphere is approaching 25 percent of its total portfolio, which is a larger proportion of aid for agriculture than that from any other financial institution.

We in the Bank's management are justifiably proud of this record but are by no means complacent. The Bank recognizes that Latin America is a dynamic area and that it must constantly adapt to the changing needs of the region. As part of the process of keeping abreast of change the Bank recently undertook a comprehensive and thoroughgoing review of agricultural development in Latin America. This review was intended to point to shifts in emphasis within the Bank's programs to meet changing conditions in the hemisphere. The general results of this review indicate that while no Malthusian crisis will occur in Latin America in the early future, there is no room whatsoever for complacency. The review has suggested a number of actions that the Bank should take to strengthen its role in promoting the agricultural development of the region. On this basis the Bank has already decided to strengthen its technical expertise in agriculture by expanding its own staff. Specifically, the Bank has authorized the employment of 13 additional experts, which will more than double its staff in this field.

As was clearly stressed in the "Report of the Board of Executive Directors on the Proposed Increase of Resources of the Bank" which was approved by the Board of Governors at its eighth annual meeting last week, the Bank is adopting a positive policy of giving special encouragement to productive investment in the agricultural sector.

This will involve significant expansion of the scope of its activities in agriculture. The Bank recognizes the need for an integrated approach to agricultural development and so is actively considering ways and means of encouraging research, extension services, marketing, and related activities. In addition the Bank is examining how it can expand and improve its current activities in land settlement, rural credit, and diversification of production.

The Bank fully intends to match its resolve by deeds. During the next triennium it is anticipated that the Bank will invest about one-third of its resources in the agricultural sector, in addition to strengthening its technical assistance activities.

Sincerely yours,

GRAYDON UPTON.

*Question 12. Isn't it true, Mr. Secretary, that many wealthy Latin Americans send their capital abroad rather than invest it at home? What would be your view that the IDB issue hard currency bonds bearing an attractive rate of interest and salable throughout Latin America using techniques similar to those used in Israeli bond drives in the United States?*

**Answer.** As indicated in the material placed in the record in response to the similar question by Mr. Widnall, it is true that Latin Americans have sent their capital abroad rather than invest it at home. While we are not able to measure the amounts precisely, it appears that the volume of capital flight has been con-

siderable. And much of the Alliance for Progress effort is directed toward eliminating the conditions which stimulate capital flight.

The suggestion that IDB bond drives be mounted in Latin America has received a great deal of consideration in recent years. Some of the problems posed are indicated in the attached memorandum prepared by the IDB.

The consideration of this suggestion did, however, lead to steps whereby the Bank's bonds are now sold—beginning in 1966—to the central banks of the Latin American members of the Bank. A total of \$57 million in 1, 2, and 5 year IDB bonds was sold in 1966 to Latin American central banks. The banks are currently studying a system to give these bonds marketability among themselves.

The objective of keeping Latin American flight capital at home, and putting it to work in the interests of Latin America's own development, is certainly a worthy one, and the feasibility of practical steps through the medium of IDB bonds will be kept under continuous review.

(IDB Memorandum)

APRIL 28, 1967.

**Subject: Prospects for public issues of long-term dollar bonds in Latin American countries to absorb dollar "flight capital."**

1. The question has been raised from time to time whether it would be feasible for the Bank to issue long-term dollar bonds in Latin American countries for the purpose of absorbing dollar flight capital. It is our opinion that the feasibility of such issues is extremely low for the following reasons:

(a) "Flight capital" consists generally of funds which have been transferred out of a country because of expected or actual depreciation of the currency or other difficulties. In some cases the objective may be to avoid taxation. The greater part of flight capital is undoubtedly sent abroad in violation of exchange control laws or regulations. Thus, in the majority of cases the funds have been transmitted secretly, and the holder of such funds (in dollars, Swiss francs, etc.) is generally unwilling to have it known by the authorities of his country that he is the owner of such funds held abroad.

(b) Consequently, it is extremely unlikely that the owner of such flight capital would wish to expose himself to the risk of having the fact revealed to his government. An offer of IDB bonds in a Latin American country could hardly be made without at least the potential obligation to inform the respective government of the names of purchasers.

(c) If we assume that the funds were transferred abroad with the full knowledge of the authorities, as a speculation, or for a temporary period because of an anticipated modification of the exchange rate, the holder of such funds would be extremely unlikely to purchase long-term dollar bonds offered in Latin America because of his primary interest in having his funds readily available so that he could bring them home at an opportune moment and could utilize the funds at home in a market where nominal interest rates are very substantially higher than the rate of yield on the dollar bonds under discussion.

(d) Preliminary soundings with several Latin American governments have raised considerable question whether they would welcome public bond issues by the Bank in their territories because of the potential competition with their own efforts to mobilize domestic resources—including the sale of their own government (and autonomous institutional) bonds.

2. It should of course be noted that the bonds issued by the Bank in the capital markets of developed countries, such as the United States, Germany, Switzerland, and the United Kingdom, are available for purchase by any national of Latin America who desires to acquire them.

*Question 13. How will integration and the establishment of a Latin American Common Market affect the U.S. trading position in Latin America?*

(Treasury Department Answer)

**THE TRADE CREATING EFFECTS OF LATIN AMERICAN ECONOMIC INTEGRATION AND A LATIN AMERICAN COMMON MARKET SHOULD OVERWHELM THE TRADE DIVERTING EFFECTS**

The recent examples of the European Common Market and the Central American Common Market indicate that the U.S. trading position in Latin America

will be enhanced by the economic integration of Latin America, and the establishment of a Latin American Common Market.

United States exports to the two existing common markets, since their creation, have increased at rates double that of total U.S. exports during the same periods. From 1958, when the European Economic Community was initiated, total U.S. exports increased by 53 percent, whereas U.S. exports to the EEC increased by over 100 percent. From 1961, at which time the Central American Common Market became effective, U.S. total exports increased by only 30 percent, as compared with a 70 percent increase in U.S. exports to the Central American Common Market.

The European Economic Community now takes 17.6 percent of total U.S. exports as compared with 13.6 percent in 1958. This increase in U.S. exports occurred despite a marked increase in intrazonal trade in both areas, indicating that trade creation has more than offset any trade diversion which may have occurred due to integration. The following tables indicate the growth of U.S. exports to the two areas.

*The trade creating effects of Latin American economic integration and a Latin American Common Market should overwhelm the trade diverting effects*<sup>1</sup>

U.S. EXPORTS TO THE CENTRAL AMERICAN COMMON MARKET, 1961-66

[Millions of dollars]

Country	1961	1962	1963	1964	1965	1966
Costa Rica.....	42	50	53	61	61	62
El Salvador.....	35	41	50	68	61	70
Guatemala.....	60	61	74	85	97	91
Honduras.....	37	43	44	50	54	68
Nicaragua.....	32	46	45	59	69	71
Total.....	207	240	265	323	342	362

<sup>1</sup> Cases in point: The European Common Market and the Central American Common Market.

Source: U.S. Department of Commerce, Bureau of Census.

U.S. EXPORTS TO THE EUROPEAN ECONOMIC COMMUNITY, 1958-66

[Millions of dollars]

Year	Value	Year	Value
1958.....	2, 449	1963.....	3, 994
1959.....	2, 420	1964.....	4, 577
1960.....	3, 482	1965.....	4, 966
1961.....	3, 571	1966.....	5, 332
1962.....	3, 652		

Source: U.S. Department of Commerce. Data for 1964-66 adjusted to include special category commodities.

Mr. REUSS. Mr. Moorhead.

Mr. MOORHEAD. I have no further questions.

Mr. REES. I have no further questions.

Mr. REUSS. I want to thank all of you gentlemen, Mr. Gordon, Mr. Davis, Mr. Knowlton, for your excellent cooperation and response to our questions.

We will now stand adjourned until 10 o'clock tomorrow morning, at which time we will hear other witnesses in connection with these hearings.

Thank you.

(Whereupon, at 12:45 p.m. the subcommittee recessed, to reconvene at 10 a.m., Thursday, May 4, 1967.)



## INTER-AMERICAN DEVELOPMENT BANK ACT AMENDMENTS OF 1967

THURSDAY, MAY 4, 1967

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON INTERNATIONAL FINANCE  
OF THE COMMITTEE ON BANKING AND CURRENCY  
*Washington, D.C.*

The subcommittee met, pursuant to recess, in room 2128, Rayburn House Office Building, Hon. Henry S. Reuss (chairman of the subcommittee) presiding.

Present: Representatives Reuss, Gonzalez, Hanna, Rees, Halpern, Widnall, Stanton, and Mize.

Mr. REUSS. The Subcommittee on International Finance will be in order for further consideration of H.R. 9547, to amend the Inter-American Development Bank Act.

We have with us this morning some very distinguished witnesses. One is Father Dan McLellan, president of Mutual El Pueblo, who, in the last 17 years, has spent much of his time helping very directly the people of Latin America.

We have Mr. William Doherty, Jr., administrator, American Institute for Free Labor Development, representing the AFL-CIO. Will you introduce your associate?

Mr. DOHERTY. This is Mr. James Holway, director, Social Projects Department, American Institute for Free Labor Development.

Mr. REUSS. We have Mr. H. W. Balgooyen, president of American & Foreign Power Co., Inc., and a member, I believe, of the Inter-American Council for Commerce and Development.

We would like to have each of you gentlemen proceed, working from your left to right. Will you lead off, Mr. Doherty, in any way you please?

**STATEMENT OF WILLIAM C. DOHERTY, JR., ADMINISTRATOR,  
AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT,  
AFL-CIO, ACCOMPANIED BY JAMES R. HOLWAY, DIRECTOR,  
SOCIAL PROJECTS DEPARTMENT, AMERICAN INSTITUTE FOR  
FREE LABOR DEVELOPMENT**

Mr. DOHERTY. Mr. Chairman, my name is William C. Doherty. I am pleased to appear before this committee to present the views of the American labor movement on the proposal that our Government expand its participation in the Inter-American Development Bank. The American Institute for Free Labor Development organization is some 5 years old. It has the support of the American Fed-

eration of Labor and Congress of Industrial Organizations, as well as some 70 private U.S. business firms and organizations which are contributing to the institute.

We also have contracts with the Government of the United States, the Agency for International Development, in order to help strengthen free trade unions under the Alliance for Progress.

The proposed legislation would increase the U.S. commitment to the IDB's Fund for Special Operations by \$150 million spread over the next 3 years. I think this proposal deserves approval for several reasons.

In the first place the increased contributions by the United States to the IDB will be more than matched proportionally by increases by the Latin Americans, that is, while the U.S. portion goes up by 20 percent, the Latin Americans increase theirs by 100 percent. This sharing of responsibility for inter-American development is an important characteristic of self-help; a guiding principle of our relations with the developing states and the Alliance for Progress. Self-help is also evident in many of the IDB's projects; the borrowers, be they public or private entities, are always required to provide a large portion of the total project cost.

In the second place, the IDB is in a unique position to respond to the needs of the economic integration process in Latin America. Although the meeting of the chiefs of state at Punta del Este resulted in a new commitment for a Latin American common market, the IDB, since its conception in 1959, has purposefully sought projects which would stimulate economic integration. More than \$180 million has been invested in the integration process; in 1966 alone, \$44 million was invested in projects to finance capital-goods exports in the region, sections of the Trans-Andean Highway, linking Chile and Argentina, and in studies of future integration projects. This backlog of experience in the problems of integration will allow the IDB to exercise more effective leadership in the integration of Latin America.

A third reason that the AFL-CIO feels the proposed increase should be approved is that the Bank is responsive to the need of increased agricultural production. Twenty-one percent of the Bank's resources have been directed toward agricultural development, and if all the rural programs are included the Bank has contributed an even larger proportion of its capital to agricultural development. The Bank's contribution to rural development is felt by the workers who now have better seed, irrigated crops, credit, better market roads and marketing facilities. Agricultural programs exist in nine countries. This emphasis on agriculture demonstrates the responsibility with which the IDB has assumed its role as the principal inter-American lending agency.

We in the AFL-CIO have noted with satisfaction that the IDB has recognized, at least in a limited way, the necessity for the strengthening of the free trade union movement in this hemisphere as set forth in the Charter of Punta del Este, as well as other agreements. From the Social Progress Trust Fund, the IDB has made a loan of \$2,500,000 for the construction of 1,400 housing units for members of the trade union movement of Colombia. On May 7, 1967, a \$2,270,000 loan agreement will be signed between the IDB and the Federacion Sindical de Trabajadores del Norte de Honduras for the construction

of approximately 1,000 housing units near San Pedro Sula. This will be the first loan made by the IDB directly to a trade union organization in Latin America. Both of these loans were sponsored by the American Institute for Free Labor Development (AIFLD) which rendered technical assistance to the unions in their efforts to secure funding for their housing programs.

In addition, and also through the efforts of the AIFLD, specific portions of housing loans in Argentina and Ecuador were earmarked for members of the free trade union movement of these two countries. Finally, on April 15, 1965 the IDB approved a loan of \$1,735,000 for the construction of houses for members of labor cooperatives in the Dominican Republic. This loan has not yet been implemented.

The AFL-CIO applauds the recognition by the IDB of the importance of workers' housing. The AFL-CIO strongly urges that in the future the Bank, through its Fund for Special Operations, give serious consideration to the making of seed capital loans for workers' banks, savings and loan associations, credit unions and cooperatives and the development of vocational schools as outlined in the Declaration of Cundinamarca and Plan of Action of Caraballeda, the documents resulting from the meetings of the labor ministers of the American Republics.

The current emphasis of the Fund for Special Operations on agriculture, industries and mining, water supply and sewage systems, housing, transportation, electric power, and education is laudable. But the workers of Latin America must be made to feel that they, too, are part of the Alliance for Progress. Financing of projects, which will have a direct and immediate impact upon the workers' lives, will awaken such a feeling and strengthen the free trade union movement an institution essential to the growth of democracy in this hemisphere.

Mr. REUSS. Thank you, Mr. Doherty.  
Father McLellan?

#### **STATEMENT OF FATHER DAN McLELLAN, M.M., PRESIDENT OF MUTUAL EL PUEBLO, LIMA, PERU**

Father McLELLAN. Mr. Chairman and members of the committee: I am happy to appear before you today in support of legislation increasing the U.S. contribution to the Fund for Special Operations of the Inter-American Development Bank (IADB). We have been borrowers from the Bank and have worked with the Bank for 5 years and, I believe, I am in a good position therefore to tell you why I support this increase of the Bank's resources.

Poverty I have seen in many parts of this world. But the poverty I encountered in 1950 in the high Andes of Peru was the worst I have ever seen, even in Vietnam under war conditions.

Added to the material chains of poverty was a hopelessness, a terrible brutalizing hopelessness born of helplessness. You could feel this pressing down on the people, there was no way out, no way to better oneself, just exist without hope until release came with death.

These people could not better themselves without money or credit and normal bank credit was beyond the reach of 98 percent of Peru's people. Help could not come because we had no institutions. Some-



thing had to be done to help the people materially and economically. With fear and trembling and against the advice of all the experts we began to form a credit union. In the absence of help, in order to find hope, you must help yourself.

Early in January 1955, we started Peru's first credit union. In April of 1955 we had 23 members and savings equivalent to \$21. The experts laughed. There were no savings to be had, they said. The people couldn't and wouldn't save; they would not pay; they couldn't learn to administer and manage a financial institution. Wiser heads than ours counseled us against initiating a movement foredoomed to failure. Friends and superiors were pessimistic to the point of almost ordering us to "cease and desist."

Today in Peru there exist about 600 credit unions spread throughout the nation. Some of them in small villages in the jungles that don't even appear on the maps. But there are many there. The almost 350,000 credit union members have a savings of almost \$40 million. Total accumulated loans stand at about \$150 million. Loan delinquency is about equal to that in the United States. A little bit lower. These figures are approximates because I don't have, with me, the 1966 reports and because I am not now involved in the daily work in the credit union movement in Peru. Gradually over the last 5 years I have pulled out leaving the movement completely in the hands of Peruvian people as it should be.

As the credit union movement grew we established a Central Credit Union that serves the credit unions as their own central bank. Now we had the institutions. People owned and managed and self-capitalized savings institutions.

We looked for help in 1961 and none was to be found. We were not government institutions, we were private citizen-owned institutions. Everyone was afraid to touch us and besides we were small peanuts. Then one day here in Washington helping the Peruvian Government in negotiating a loan, the Inter-American Development Bank asked me why I didn't ask for a loan for our Central Credit Union. I thought I had died and had gone to heaven. We received a \$1 million loan—more would have been too much. It would have taken away the necessity for the people to save and to keep increasing their savings. By this time we could see implications in what we were doing far beyond our original purpose. If I knew what I was getting myself into in 1955 I would have pushed somebody else and I would still be happy up in the mountains.

A people's institution had been created that should grow and strengthen and continue to help. The institution was more important than individual projects, and the institution must remain in the control of the people. That is part of the reason for the many fights I have had up here because we have always insisted that we wanted loans directly to our people's institutions and avoided loans, two-step loans, to a government institution and then which would be passed on to us.

We needed help but we would not purchase that help at the price of the independence of the institutions. The Inter-American Development Bank gave us that help, and gave it to us directly. They believed in us when no one else would believe.

This \$1 million loan to the Cooperativo de Crédito Central has been channeled by it to credit unions in all parts of Peru. As of December

1966 this \$1 million had provided 742 housing loans, 51 loans for public water and sewerage, and 151 agricultural loans. We have amortized \$200,000 of the loan.

Mr. REUSS. By amortized do you mean repaid?

Father McLELLAN. Repaid. This is an aside, but somehow or other I am going to live until 1971. I just happen to have our annual statement from our savings and loan association and you can see that we have quite a bit of money in the bank. A lot of that money is our reserve fund for the exchange risk for IDB loans and the rest of it—there is a lot of it there that is in dollars waiting until we have enough money in 1971, I hope to be able to place ourselves in the same position as Finland did a few years back by coming to Washington and canceling one of our loans 11 years ahead of time.

This was the first loan made by IDB to a private people's organization out of the Social Progress Trust Fund.

In 1960 the Peruvian Government and United States consultants asked us to form a mutual savings and loan association. March 1, 1961, Mutual El Pueblo—the People's Savings and Loan Association opened its doors with 53 members and \$4,101 in savings.

As of December 31, 1966, we had over 21,000 savers and assets of \$13,954,979—4,732 families now live in their own homes. Once again, wiser heads prophesied disaster. Strong opposition to the savings and loan system was voiced in the Peruvian Congress and local press. Again the IDB placed its faith in the people. In 1963, we received a \$1 million loan directly to our People's Mutual Savings & Loan Association. This has placed 362 families in their own homes. As of May 1, 1967, we have amortized \$175,000 of this loan. Another loan for \$1,200,000 to finance 400 homes is currently being disbursed to us.

I would like to emphasize that these credit unions and our savings and loans are truly serious financial institutions—supervised and examined by Government agencies and externally audited by international auditing firms. We take very seriously the obligation to responsibility placed upon us by the people who have confided to us the management of their life's savings.

Behind the numbers, behind the balance sheets and control reports there is a drama of human hopes, a struggle of a people to free itself from the economic thralldom that bound them to serfdom. It is a story of men creating their own financial institution with nothing but their small savings, learning to democratically administer and manage these institutions, growing in responsibility to the point of being able, I believe, for the first time in South American history to be able to successfully receive a direct loan from an international development bank. The first night we opened we loaned out all our money.

May I also add here that People's Savings & Loan of Lima, I believe is the only institution, of private people's institutions in South America who is guaranteeing to the U.S. Government the repayment of a Cooley fund loan to an American company in housing.

Having the right to vote is not the only badge of freedom. To be truly free a man must own something. To have political freedom he must have economic freedom. This means he must be the owner of his own thrift institutions for capital accumulation. If he does not create these institutions or if these institutions do not have access to

direct loans from international financial institutions, then it may come to pass as Salvador de Madariaga has said, "A country may become the colony of its own Government." A people who do not have decision-making on the lowest level and have to continually go to centralized Government sources to beg for aid are colonies. I believe it is true in all developing countries. This is the freedom part of our own heritage that we must give to people who want it all over the world. This is what the IDB has extended to the people's institutions of Peru by its loans. The IDB bent down to us not to pat us on the head and keep us on the level of children, but to stretch out a helping hand to help us lift ourselves up to the dignity of responsible men.

Speaking as a "cholo de honor" which President Belaunde of Peru and its people have done me the honor of nicknaming me, I express the deep gratitude of the people of the credit union movement and the "Mutual" to the IDB.

As an American I strongly support the IDB and its administration of the Social Progress Trust Fund and Fund for Special Operations and ask you, the representatives of our people, to support its request for additional funds.

Thank you for permitting me to appear before you.

Mr. REUSS. Thank you, Father McLellan, for a very inspiring statement.

Mr. Balgooyen.

**STATEMENT OF H. W. BALGOOYEN, PRESIDENT OF AMERICAN & FOREIGN POWER CO., INC.**

Mr. BALGOOYEN. Mr. Chairman and members of the committee: My name is Henry Balgooyen. I am president of American & Foreign Power Co. and vice chairman of the Council for Latin America.

Since 1923 my company has been an investor in basic industry in Latin America and the Council of Latin America has a membership of over 200 of the principal industrial and commercial companies in the United States with investments in industrial and commercial enterprises in Latin America. It, in turn is the U.S. section of the Inter-American Council of Commerce & Production which was founded in 1941 as a hemispheric business and trade association with head offices located in Montevideo, Uruguay.

I am pleased to appear before you today in support of legislation to authorize the United States to participate in an increase in the resources of the Fund for Special Operations of the Inter-American Development Bank. As you are no doubt aware, Mr. Chairman, my company and, indeed, the companies which are members of the above-mentioned group have had a long and increasingly large financial relationship with the various countries of Latin America.

At first glance, the \$900 million contribution for use by international financial institutions in support of social progress and economic development might appear to be only loosely connected with the primary interest of American private investment in Latin America. I am convinced, however, that the relationship is very definite and very real. We have learned from experience that there is a direct relationship between the standard of living and the rate of economic growth of the countries in which we operate and the success of industry and pri-

vate enterprise in those countries. As local industry and private enterprise prosper, and as the standard of living improves, the opportunities for American investors and exporters are correspondingly enhanced.

The objectives of the Alliance for Progress are extremely important: I would say, vital, to the major American companies engaged in business in Latin America. The Alliance, including the contribution of domestic and foreign private capital to the development effort, offers the best hope of meeting the awesome economic and social problems which beset so many developing countries in Latin America. Although these problems have been generally recognized for years, and are being attacked on so many fronts, they are, in many cases, growing rather than shrinking and the maximum effort in this battle is yet to come. We all want the people of Latin America to enjoy a better life: first of all, because it is right; and secondly, because the welfare and security of our own country demands that the peoples of this hemisphere should prosper and live in peace with each other. As the standards of life in Latin America rise, both worker and the businessman will benefit, in the United States as well as in Latin America.

The contribution which you are now considering will play a particularly important role in Latin America's economic and social development. Businessmen know that a growing and efficient private sector requires a skilled and healthy population, good roads, clean water, and adequate food supplies. The Bank has demonstrated in its past operations that the Social Progress Trust Fund and the worker and the businessman will benefit in the United States as well as in Latin America.

The contribution which you are now considering will play a particularly important role in Latin America's economic and social development. Businessmen know that a growing and efficient private sector requires a skilled and healthy population, good roads, clean water, and adequate food supplies. The Bank has demonstrated in its past operations that the Social Progress Trust Fund and the Fund for Special Operations operate to further these objectives. The record, indeed, is impressive. The loans which the Bank has authorized have brought into production or improvement nearly 5 million acres of farmland, expanded electric generating capacity under both private and Government operation to over 2½ million kilowatts, constructed or improved 1,500 miles of highway, and over 7,800 miles of access and farm-to-market roads, provided over 2,300 water supply systems and constructed, expanded, or improved 253 sewerage systems for benefit of over 36 million people. The construction of 300,000 housing units for low-income families will benefit some 1.8 million persons. Seventy-three centers of higher education serving 244,000 students are being modernized or expanded. I cite these statistics because they are impressive and because they demonstrate the Bank's capacity to administer the funds you have been asked to authorize.

I might say that my own company has the occasion to work with the Bank in the financing of a large chemical fertilizer plant in Argentina. In our relations with the Bank, we have been impressed with the approachability, the diligence, the technical capacity, and the high level of professional capability of its management and staff. I would hope and expect that the Bank would increase its loans to private enterprise, along with its assistance to governmental or public agencies.

In my travels throughout Latin America, I have seen the Bank's projects at work and I can testify that, from what I have seen, they contribute a great deal to giving Latin America the opportunity to look to the future with hope and with confidence. We all know that a man who has an opportunity to live in a good house and who can provide a better life for his children is a man who will devote himself more readily and more effectively to the economic and political development and stability of his country. The infrastructure loans made by the Bank have brought water, roads, education, and sanitation to areas where either these facilities did not exist or were in short supply, enabling the private businessman to run his machinery, to sell his goods, to have healthy workers and better educated ones.

As a representative of the private business community, I strongly support this \$900 million contribution to the Fund for Special Operations. It will help people and it will stimulate growth. As an effective part of the Alliance for Progress, it will carry us further along the road to the day when all the peoples of this hemisphere will share in a better life.

Mr. REUSS. Thank you, Mr. Balgooyen. We are very grateful to this panel of representatives of the business community, the labor movement, and the religious and charitable community.

Father McLELLAN, I am most interested in your account of the help that has been given by the Inter-American Development Bank to the credit union and savings and loan movement in at least one country, Peru. The suggestion was made at yesterday's hearing that the committee add an amendment to the bill before us to provide that the funds used by the Inter-American Development Bank should be used to the greatest extent possible for the purchase of U.S. exports and services.

Would you have any comment to make on the possible effects of that on operations such as those in which you have been active?

Father McLELLAN. At the present time, I think I was the first one that got caught in these letters of credit—the disbursements that the Inter-American Bank is making now, \$600,000 of those will be in letters of credit opened up in the Banks here in the United States to pay for the importation of U.S. goods.

In other words, this money will never leave the United States. I sell the letter of credit in Peru and the importer uses that money here in the United States to pay the American exporter. That is the present setup.

In certain things you have to have a lot of flexibility. For instance, in housing, the construction industry in Peru, it has now grown that there is no need to import anything from the outside. If we had to import things for housing we would have created a political situation.

Mr. REUSS. Another aspect of the proposed amendment would provide that the funds given the Inter-American Development Bank by the United States would have to be used in such a manner that U.S. exports do not substitute for the commercial exports which would have been purchased, in any event, by the country or countries receiving the IDB loan assistance.

Would you have any comment on the workability of that suggestion?

Father McLELLAN. Last week I attended the meetings with the Inter-American Development Bank Board of Governors and I was

speaking with some people from other nations who have helped capitalize the Bank and they were screaming that they wouldn't put any more money in unless some of the money could be used for imports from their countries.

I know, too, that down in South America this is quite a sore spot all the time. I understand fully your position, I think, but at the present, at least half of this money stays in the United States. It doesn't even leave the United States.

Mr. REUSS. Mr. Doherty, would you have any comment to make on the subject that I have been discussing with Father McLellan?

Mr. DOHERTY. Mr. Chairman, the American labor movement has traditionally supported the concepts behind the foreign assistance program from Marshall plan to the present day. We have consistently pointed out to the American worker, the American taxpayer, that foreign aid, in addition to the material accomplishments, in addition to the necessity for the protection that our way of life gets from the programs throughout the world, is good for the American worker—that the overwhelming majority of the funds that are appropriated by Congress help provide jobs in the United States. We feel the same way about the Inter-American Development Bank.

We feel, however, that the administrative provisions that are already adopted by the Bank more than adequately insure that American exporters and American industry is protected in terms of the projects that would flow from the money to be appropriated by the Congress.

Mr. REUSS. Mr. Balgooyen, would you have any comment on this?

Mr. BALGOOYEN. I am, in general, sympathetic with what I understand were the conclusions reached at the IADB meeting in Washington very recently, namely, that procurement for projects financed by loans of the Inter-American Development Bank should be from countries that have made contributions to the capital or to the fund of the Bank. That's logical. Whether it is practical to try to make a sharp distinction so that every dollar that comes from a certain country will be used for procurement in that country, I am not certain. In fact, I feel there may be some instances where it is possible to use the funds to better advantage in country A or country B, rather than country C, and if there are substantial savings it will benefit the country receiving the loan and it will perhaps help a little bit in the fight against inflation.

What I am saying is, if the added cost of procurement in the country providing the funds, means double the cost of the project, then it probably isn't worth the candle to stick to the line on it. But in general, I do think that if a country like France, for example, has not made a contribution to the funds of the Bank, the procurement of equipment and goods for the project being financed should not be made in France. I think it should be made in the country which is supplying the funds unless the cost is completely out of line.

Mr. REUSS. Are all three of you gentlemen satisfied with the policy statements adopted by the Inter-American Development Bank on the subject of source of procurement? And do I correctly interpret your testimony as feeling that no firm or inflexible provision in the legislation itself would be in the public interest? Is that a fair statement?

Mr. BALGOOYEN. Yes, I would have to review the resolution itself to know exactly what the wording is. I am in favor of the general prin-

ciple of procurement in the country providing the funds, but I think it might be impractical to insist on dollar for dollar procurement in those countries.

Mr. REUSS. Do you share that view, Mr. Doherty?

Mr. DOHERTY. We are happy with the manner in which this matter is now dealt with by the Inter-American Bank. We think that adequate provisions are contained in current Bank regulations.

Father McLELLAN. Yes, I agree with that.

Mr. REUSS. That answer was yes, was it not?

Father McLELLAN. Yes.

Mr. REUSS. Mr. Halpern?

Mr. HALPERN. Mr. Chairman, I would like to commend our witnesses and I would like to extend my compliments, particularly to Father McLellan, whose outstanding work has been a source of great admiration for quite a while.

His activity has become legend and his contribution to a better society in Peru has reflected throughout other Latin American countries. We are privileged, Mr. Chairman, to have the benefit of his views on this IDB legislation.

Farther, I know that you have had a great personal experience in Peru, particularly with the credit union movement.

Would you please tell us more specifically how the IDB has contributed to it? Tell us what the funds have been used for, and I have in mind such things as housing projects, farming tool acquisition and so forth.

Father McLELLAN. The IDB were the only ones who would talk to us.

Mr. HALPERN. Very interesting.

Father McLELLAN. I came up here to Washington in 1960 and 1961 and I was like a Cub Scout and as I said in my statement, one day they asked me why I didn't ask for a loan and I thought I died and went to heaven. We were not a government institution. We were very small peanuts. We didn't know then whether we could get a government guarantee or not from the Peruvian Government. They offered us help when nobody else would even speak to us.

Now, this money has been used—when we got the first loan for the Central Credit Union we had about \$10,000 or \$20,000 in savings in the Central Credit Union—now we have about \$600,000 in savings. This has grown faster than a projected cooperative bank study which was made at U.S. expense. They came down and said, by sending experts down and setting up the cooperative bank in 5 years there would be so many savings and so many loans. It would have cost the U.S. Government about 10 times as much money as the \$1 million loan to the Central Credit Union and their projections have been surpassed by the Central Credit Union. These loans have been made primarily outside of Lima for housing, and adequate housing, because I firmly believe that I would rather give an adequate house to a man and tell him you have to moonlight, you have to find some way of making another \$10 to \$20 a month, but you have an adequate house, rather than putting them in a modern, concrete, inadequate slum.

That is one reason why our delinquency ratio is so low and why the delinquency ratios of some government institutions are so high.

Mr. HALPERN. What about farm tool acquisition?

Father McLELLAN. That has been used—not as much as we would have liked to, because for many years, and even now, it is quite difficult for a credit union to make a loan to an agricultural cooperative. But at the present we are changing the Central Credit Union into a bank of cooperatives and then we can make loans to other types of cooperatives.

Mr. HALPERN. Father, since you have long been an active observer of economic work in Latin America you may be aware of the recently established regional preinvestment fund. This fund was set up by the IDB to promote study in regionally integrated projects.

From a firsthand knowledge, have you seen such regional cooperation outside of your own credit union?

Father McLELLAN. No, I haven't. This touches government agencies more than it would touch us.

Mr. HALPERN. Mr. Doherty, I would also like to compliment you for your superb work. I am interested in knowing how the Bank has cooperated with the free labor movement in Latin America. Do you see the IDB as benefiting the workers, particularly in such country areas as medical benefits and so forth?

Mr. DOHERTY. Congressman Halpern, dating all the way back to the Eisenhower administration with the Act of Bogota, our Government and this Congress saw fit to place great emphasis on the need for social development in Latin America, if we were going to combat communism or any other type of totalitarian concepts. I don't think anyone would really argue with this necessity, but talking about social development and getting it going are two different things, and it is the Inter-American Development Bank that makes it possible for social development to take place. Social development can either take place because workers and little people and needy people band together and do things for themselves or can take place because there is a great big welfare state that is passing it down to them, and I happen to prefer the former, because we believe in private sector development—either way it has to be financed. To talk about it without financial wherewithal is to talk in a vacuum. The Bank is the financial tool with which the social development processes take place.

The workers of Latin America, through their free and democratic trade unions have been able to get loans for low-cost cooperative housing developments, and they got them with the Alliance for Progress, IDB, and AID. We are friendly competitors of Father McLellan in Peru because there is a Worker's Savings and Loan Association which is following in his footsteps.

Mr. HALPERN. It is healthy competition.

Mr. DOHERTY. As long as we continue to compete in getting more housing we want to do that. It is this type of inter-American financial institutions, regional assistance, that makes it possible for us to make a reality out of the promises of the Act of Bogota and the Alliance for Progress, and this is why we strongly support the Inter-American Bank. We like the concept that the Bank is multinational, does take into consideration the self-help aspect of Latin America's contribution and it is not Uncle Sam in a paternalistic fashion financing development in Latin America on a project by project basis. They feel like it is their bank, the Latin Americans, and we feel that that is a healthy feeling.



Mr. HALPERN. You state that housing has been implemented. To what extent have these projects been completed?

Mr. DOHERTY. With the Inter-American Development Bank we are in the process of constructing, now, in Colombia a 1,400-house unit. That stage of completion is such that 280 apartments have been handed over to workers and they are now living in them. I am traveling this weekend to Honduras for the signing ceremony of a \$2,270,000 loan agreement that will be signed with the unions of the north coast of Honduras. We think it is a very interesting loan because the chamber of commerce there is making a loan to the unions for urbanization and the Bank is making the loan for construction. The workers are paying from 10 percent to 20 percent down and will repay the loan. This loan will be signed over the weekend and construction will begin very, very soon thereafter.

In addition to the Bank the AIFLD receives financial support from the Agency for International Development. The Bank seems to place great emphasis on social type programs, whereas the AID, by necessity, is getting more deeply involved in the hard-core infrastructure type projects.

Mr. HALPERN. Thank you, Mr. Doherty.

Mr. BALGOOYEN, I have a question or two questions that I would like to ask you.

I understand the IDB has been cooperating with your organization on petrochemical plants in Argentina. What type of projects are these?

Mr. BALGOOYEN. Primarily a fertilizer plant. It will be the largest integrated fertilizer plant in Latin America when completed.

Mr. HALPERN. Did you say it is completed?

Mr. BALGOOYEN. When it is completed.

Mr. HALPERN. What is the status of it now?

Mr. BALGOOYEN. It will be finished before the middle of next year.

Mr. HALPERN. It will?

Mr. BALGOOYEN. Yes.

Mr. HALPERN. Now, sir, I have noted that in the past several years there have been periodic slowdowns or even freezes on capital investments by the United States, both in the Government and private investments. I understand one of the reasons for this, of course, has been the unstable economic or political climate in some of the Latin American countries. Do you see the IDB as an instrument, worked as an instrument, working to help stabilize Latin economies and thereby make U.S. investments more readily available?

Mr. BALGOOYEN. I do think that the various types of loans that are being made by the Inter-American Development Bank should help. We are talking today, of course, about the Social Progress Trust Fund where loans are mostly on the social side.

Mr. HALPERN. Does this fund for the operation of the Bank itself, the overall operation, enhance the potential for further U.S. investments in Latin America?

Mr. BALGOOYEN. I feel it would, and not only for the reasons I gave in my prepared statement where I referred to sanitation and education and better roads and highways and improved agricultural programs and conditions and so on. I feel that the Inter-American Development Bank has a very strong influence, and I would say a very

favorable influence, as far as private enterprise in Latin America is concerned.

I think that all American businessmen and Latin American businessmen have an extremely high regard for Felipe Herrera and Graydon Upton in the management of the Bank. They are sound people and they know what they are doing.

I think I should preface this by saying that when the Inter-American Development Bank was originally proposed, a large segment of the business and financial community had very grave reservations about it, but I think that the performance of the Bank has convinced all of us that the Bank is doing a fine job.

I have been attending as many of the Inter-American Bank meetings as I could ever since it was created. I have heard Felipe Herrera and other officials of the Bank state their policies and objectives and I have never heard anything that I, as a businessman, could not subscribe to. I think the fact that you have ministers of finance and economy on the Board of the Bank where they see how a banking institution operates, to see how loans are made, to see how important it is that payments be made when due on these loans—I think it is an excellent thing for the Latin American governments and Latin American officials to be exposed to this kind of sound business management. So, that I think that the influence of the Bank is constructive.

Mr. HALPERN. Thank you, Mr. Chairman. Thank you, Mr. Balgooyen, thank you, Father McLellan and Mr. Doherty.

Mr. REUSS. Mr. Gonzalez?

Mr. GONZALEZ. Thank you, Mr. Chairman.

I also add my voice of thanks to the gentlemen who are here this morning. About the only criticism I had ever heard of IDB—the other way around—is that it stressed too much the economic viability of a loan and not the idea of self-help, and you gentlemen here this morning have certainly made a good case for the other side of the picture of the Bank.

I, for one, am a cosponsor of this bill, so I am in favor of the legislation. Actually, I am in favor of the legislation in its present form unamended. I think the Bank has done a tremendous job.

I have one question, but before that I wanted to state that Father McLellan has become, of course, world famous and we are deeply grateful for the tremendous work that you have done, Father. I think your statement here shows that the Bank is a bank with a heart. I have heard very much about your work from a colleague of mine from Texas, Jim Wright of Fort Worth, who is a great booster of yours, and so I do not think any words we can say here this morning could properly or sufficiently express the gratitude we feel for the hard labor that you have put into this endeavor.

I wanted to ask Mr. Doherty if he would be kind enough to describe the Kennedy housing project in Mexico City—how many families live in it, and how it is financed?

Mr. DOHERTY. Of course. The John F. Kennedy housing project in Mexico City is not an Inter-American Development Bank financed project. This is a rather unique experiment in that the project was financed by the AFL-CIO and its affiliated organizations and by the Mexican workers themselves.

The project is one of the largest in Latin America, houses over 20,000 people, most of whom, prior to going into this project, lived in the slums of Mexico City.

It is sponsored by the graphic arts workers of Mexico City. Its total cost is about \$14 million, \$10 million of which was provided by the AFL-CIO in a 20-year, 5¼ percent loan which was guaranteed by the investment guarantee program of the Agency for International Development. It was the second project that was so guaranteed.

The people who live in the project are making wages in the neighborhood of from \$80 to about \$130, \$140 a month. The project is directly between the main airport and downtown Mexico City, so that the Alliance for Progress gets an awful lot of publicity and knowledge out of all kinds of people who do see the project.

What we are happy about is that it is now 3 years old and because of the intense interest that the union has taken, because of the AILFD's community development efforts—education committees, administration committee, sanitation committees, et cetera—groups of sociologists and experts who have seen it tell us that the project is now more beautiful 3 years after the fact and more well attended, providing very, very healthy way of life to these people than when it was first built. Frankly we had great fears that 3 years after the fact that might not have been the case, because I think you know what happens to some of our low-cost housing projects right here in the United States.

So, the project gives us great reason not only to be proud of our contribution, but of the Mexican worker and his contribution, and I think it is one more demonstration why the Alliance for Progress, despite all the criticism, has been successful. It is not just a very sexy thing to talk about a housing project, but these projects multiply through Latin America and this is why I think the Alliance is winning.

Mr. GONZALEZ. Very much so. In fact, I belong to the Mexico-United States Inter-Parliamentary Conference group and was in Mexico just a couple months ago and saw the project and saw that it had been enhanced and is very popular. In fact it was the subject of conversation and that is the reason I thought I would ask for this opportunity to hear about it.

Mr. DOHERTY. I left out one important item. There has not been one default on repayment of the loan to AFL-CIO in the past 3 years, and I think that is important.

Mr. GONZALEZ. I wanted to stress the fact that the contribution is way beyond what has been realized in light of Mexico's very serious problems, housing problems in Mexico are enormous. Over 50 percent of its housing is inadequate, substandard.

So, when you constructed this housing project, it is really understood why you have no defaults. Also, I think it is attributed to the self-help aspirations of the workers on both sides—in Mexico, as well as in the United States. It has no implications with the Inter-American Development Bank whatsoever.

Mr. DOHERTY. No, but we have other projects in which the IDB is helping us.

Mr. GONZALEZ. I wanted to ask a question of Mr. Balgooyen. Are your member companies providing electricity for rural areas or are they concentrated mostly in the urban areas?

Mr. BALGOOYEN. Concentrated mostly in the urban areas, but we do provide some electricity to rural areas. I think I should explain that whereas my company originally provided electric service in 11 Latin American countries, because of the trend toward Government ownership and the inflation which is very hard for private utility to keep up with, we have been selling these properties to the various governments, so that at the present time there are only four countries in which we are providing electric service where we haven't made a sale to the government of our properties.

Mr. GONZALEZ. I was intensely interested because we constantly hear about the late lack of private initiative in the Latin American market and the desire to stimulate and seek further involvement of private enterprise.

Mr. BALGOOYEN. Mr. Gonzalez, I don't know how deeply you want me to get into this subject, but it is extremely difficult for a private utility company in the highly inflationary economies that you have in some of these large Latin American countries, to extend its lines into rural areas and to do it at a profit, and if you don't make a profit, of course you cannot finance it.

So, the result, practically speaking, is that the governments have been doing most of the rural electrical development.

While I am speaking, if I may, I would like to say that my company and many other companies in the Council for Latin America are participating in Mr. Doherty's organization, the American Institute for Free Labor Development. Mr. Doherty has spoken at some of our meetings, and some of us have spoken at some of his meetings, so labor and capital cooperate very well in the Latin American field.

Mr. GONZALEZ. Very good. I am delighted that you took time to come here and testify in support of this bill. We have heard, in connection with this, as well as in connection with the Export-Import Bank, the charge that private capital, some of this had been subverted by the type of activities that the Export-Import Bank and the Inter-American Development Bank and similar type institutions have been providing and I have been wondering about it. It might have had some validity a few years ago, but it has none now.

Mr. BALGOOYEN. I was somewhat concerned about it when these great international and national lending institutions were created and I believe that in the beginning, before the guidelines were well established, there may have been some justification for these theories. My company has had a very close relationship with the Export-Import Bank through the years, and we could hardly have financed the expansion we had to make in our electric power companies in Latin America if it hadn't been for the Export-Import Bank assistance because they weren't the kind of projects for which you could get funds in the private capital markets, on reasonable terms.

Mr. GONZALEZ. Thank you very much, sir.

Mr. REUSS. Mr. Widnall?

Mr. WIDNALL. Thank you, Mr. Chairman. I, too, would like to welcome the panel before us today. They have been very helpful in clearing up a lot of things that are questions in our minds.

I know very well the activities of Father Dan; I've known him for quite a few years. I'm pleased to have the opportunity of seeing Mr. Balgooyen and Mr. Doherty.

I would just like to comment to Father Dan. You made a start as a cub, but you became an Eagle Scout faster than anybody else I know.

I think you are known around Washington as a man they cannot say no to, and—at least you have been very successful in your own efforts up here, and it is a great tribute to you and the work that you have done, both in the credit union movement and also in the savings and loan association.

We just made a short trip down to South America, as you know, to visit with the members and guests of the Inter-American Saving and Loan Conference and we stopped off in Lima, Peru on that trip. I saw some low-income housing outside of Lima that was being built that averaged, I believe, about \$2,000. Is that correct? A downpayment of about \$200?

Father McLELLAN. Yes.

Mr. WIDNALL. The equity payment could be worked out. It did not necessarily have to be in cash. What impressed me so much in going through there was the evident pride of ownership that was shown by the people the minute we walked into it, which was not shown, not evidenced when they lived in the slum dwellings at all and this is just adequate housing; nothing pretentious about it, and nothing commodious about it. But the way they instantly wanted to paint them different colors and utilize the few square feet of yard they have for flowers, was certainly a tribute to the people, and, I think, a tribute to those who had the courage to stay with the promotion of such a program and I hope it can be followed through, throughout all countries of South America. It should be very meaningful.

We are trying up here, to try to encourage real low income homeownership as we feel we can work out something in this area which has not been worked out before and it, too, can make a great contribution in the slum areas of this country. I think one of the best proofs of what can take place is when you go around Washington and you go into some of the minority sections where you see the homes owned by the occupants and the ones that are owned by nonoccupants, right in the same block, the contrast between the homes, and essentially they are the same type of dwelling.

I actually feel that the type of testimony that you have given is the kind that is going to be most meaningful and beneficial to the committee in seeking ultimate approval of the bill.

So many have felt on the opening day when Secretary Fowler was testifying before the committee, that I personally was in opposition. It was not because of lack of belief. I had in mind an amendment to add to the bill that I would put in myself. This is what I have been thinking about and I would like to have your own individual reactions to it. I discussed them with Secretary Fowler yesterday. The amendment reads:

*Provided, That funds herein authorized are utilized for the purchase of United States goods and services to the greatest extent possible and in such a manner that said United States exports do not substitute for commercial exports that would have been purchased in any event by the country or countries receiving the loan assistance for funds authorized under this Act.*

I am sorry you do not have it in front of you, but I think you get the gist of it. Would you care to comment on that, what it would do to this type of program?

That the funds herein authorized are utilized for the purchase of U.S. goods and services to the greatest extent possible and in such a manner that said U.S. exports do not substitute for commercial exports that would have been purchased in any event by the country or countries receiving the loan assistance from funds authorized under this act.

Father?

Father McLELLAN. Congressman, for our purposes in using these loans I would be very afraid of the "greatest extent possible". We don't import anything now for housing. We used to have to import locks but locks are now being made in Peru—good locks. There might be some very serious difficulties in housing loans. Somebody might say, the "greatest extent possible" is to import prefabricated homes from the United States. I am a little scared of it, really.

Mr. WIDNALL. The main trouble was to have these loans substitute for what would be ordinarily commercial transactions between two countries. I think it was touched on a little bit earlier and some questions to you, Mr. Balgooyen, and you indicated that some years ago there might have been some fears for this type of thing that you think was overcome by the operation of the Bank up to now.

Mr. BALGOOYEN. I think that remark of mine was in response to another question but on this particular point I do have some reservations about it.

In our business in Latin America, where we have sold some of our utility properties to the government and in turn have agreed to re-invest the funds we get from the government in other types of industry in Latin America, and we generally go into a partnership with local people, or in some cases, with Europeans or with Americans or Canadians, or what have you. And in most cases where we have made such investments we are in a minority position, so if one of these companies in which we have a minority position would have a project financed, or partly financed by the Inter-American Development Bank, my company might not be in a position to control where that procurement might be made and it might possibly be in order, from the viewpoint of the economics of the operation, to buy the equipment someplace other than the United States. There might be a substantial saving.

In a case like that it is pretty hard to justify buying equipment in the United States through the local government, particularly if it is something that is tied in very closely with the national economy. If it is a steel mill or fertilizer plant or public utility, that serves the public, the public has to pay for it in the long run by buying the product and if the public has to pay more than they otherwise would pay it is a little hard to defend to the Argentine or the Mexican or Colombia partners why it's being bought in the United States.

As I said earlier, I believe in this in principle. I think the countries that supply the funds to the Bank should be the countries from which the products that go into it, into the industrial project are acquired.

In other words, if the United States is contributing 50 percent of the funds of the Bank I think an effort, a strong effort should be made to see that 50 percent of the cost of a given project is used to buy

products from the United States. But I feel a little bit the way Father McLellan does, that there has to be some latitude because it isn't always economic to buy goods in the United States, and when you are dealing with local partners, the American partner can't always have his way.

Mr. WIDNALL. Of course, I am very mindful of our existing balance of payments problem and really this is why I am giving serious consideration to the amendment at this time. Certainly right now, American labor is quite concerned about the purchase of goods overseas coming in now and are undermining the sale of American products in this country which American labor and American laborers are producing. There is a closer and closer scanning of the type of operation that we have overseas.

Have you got any comments that you would like to make on that?

Mr. DOHERTY. To the extent that this may be applicable, I mentioned that on Sunday, this coming Sunday, IDB Executive Vice President Graydon Upton will be traveling down to Honduras, and there will be a \$2.27 million agreement signed for a housing project in Honduras. In that agreement there is a clause which we are happy with which says that any materials that must be used in the building of the project, and there will be some material imported because Honduras is a developing nation, and it does not have all the hardware necessary, however, some must be bought locally—that is in Honduras—or in the United States. We are very happy with that language in the loan contract and so are the Honduran workers.

We feel that to the extent possible it protects the U.S. balance of payments situation as far as that loan is concerned.

Mr. WIDNALL. That is all, thank you very much.

Mr. REUSS. Mr. Hanna?

Mr. HANNA. Thank you, Mr. Chairman.

I, too, want to join in commending these witnesses, and I very warmly recall the fine hospitality Father McLellan has extended. I've always been very much impressed by your work, Father Dan. I would say, judging from the success you have had here in Washington and officials here and the remarkable way you have conducted yourself amongst the politicians of Peru, if anything should ever happen that you need a place, I would like to have you in my campaign, with one stipulation that you bring some of that excellent staff that you have.

I would like to ask you one question, Father.

I am interested in this problem of maintenance of value for depositors in your institution in South America. What is your experience with the maintenance of value?

Father McLELLAN. Fortunately Peru is and has been in a stable exchange rate now for about 6 or 7 years. In Peru we have been studying these readjustment mechanisms they have in Chile and other places. We feel it is something like having your appendix taken out when you do not need it taken out. It is like practicing a parachute jump. You don't practice it. You have to do it right the first time.

We have opted to do this. At the beginning of the savings and loan movement we could charge up to 12 percent interest a year. Now, that was very low, very, very low for the going rates at that time. At the present we charge 9 percent. As we drop the interest rate we drop the interest rate on our whole portfolio. The people are still paying a monthly payment which is figured at 12 percent. But now this extra 3 percent goes into amortizing the loan ahead of time. If inflation

comes to us it is first going to hit our current operations where it is not enough to keep up with expenditures. We have a 3-percent cushion built in now where we can raise the interest rate to the people without raising their monthly payments.

Mr. HANNA. Is it in the mortgage contract that you cannot change the interest rates, is that right?

Father McLELLAN. Yes. We have also in the Inter-American Development Bank loans, the money comes to us at 2 percent, but the contract says that we have to have 4 percent in reserve for the exchange risk and we now have about \$150,000 in reserve in dollars to cover the exchange risk. We are trying to build something there that the people will own. This is extremely necessary.

I just came back from Vietnam. It is very necessary to have the people feel that they are participating in the building of their own country. You don't do that with a big centralized project. I think the first development question that should be asked of any country, is not can the government do it, but can the citizens do it? If we do that we will have a people who will be moving forward with their country, with their government, building a nation, strengthening their nation, proud of it and they will not be satisfied with acceptable mediocrity, but they will be striving for excellence.

Mr. HANNA. I very much appreciate your making this statement, Father Dan, because it has also been my observation that what we need to do is to cultivate this sense of equity in the people's minds. Even when one does not own the whole show, the fact that you are building equity leads to the maintenance which is very important and this is something we missed in many of the housing projects.

Your statement about the Kennedy project—this brings this out. This idea of equity and maintenance is a kind of new idea and I do not think we realize the value of it ourselves, and this is something that we can sell and I think that is in part what you are saying, and I agree with you, this is what we do, when they get the sense of equity and maintain what they have and now you've got people who are on the move.

One other thing. I was interested in the gentleman from New Jersey's amendment. But I am just wondering this, I agree with the general aim of the gentleman, but I noticed in one of the proposed resolutions of the Bank, and this ties in with some of the testimony yesterday—to request the Board of Executive Directors to study new measures tending to an increase in the contribution of the resources to the Bank by countries which presently are not members and in the light of experience an interest expressed in inquiries which it deems pertinent, furthermore it was requested that the Board of Executive Directors put into effect measures and mechanisms which it may consider appropriate or that it presents proposals to the same amendments to the Board of Governors.

In regard to this resolution I am wondering if it would not be less dangerous if we put into our report language which encourages the Board of Directors to move in this way, plus one other thing, Mr. Chairman. Perhaps hoping to get the message to the Latin American countries themselves, that if perhaps there is more spinoff in terms of their general trade with the United States, that this would lay the groundwork to encourage other countries to join us in making more resources



available through the IDB because they could see where the benefit derives. What would you think about that in terms of an approach?

I would like to have your comments, the comments of you gentlemen.

Mr. BALGOOYEN. It is related to something I said before. I think that it is highly desirable that the Western European countries and Japan bear a larger part of the burden in financing the Inter-American Development Bank than they have heretofore. As we know, some countries, such as Canada and Spain, for example, and Italy have made some contributions to the funds of the Bank. Some other Western European countries have not. If they expect to participate in some of the business that results from the loans that are made for Latin American projects, why, certainly, it is only fair to suggest to them that they had better provide some of the funds. So, I am very much in favor of it.

Mr. DOHERTY. Well, it is somewhat disturbing to us to note that not only the Inter-American Development Bank in its programs in Latin America, but the Agency for International Development and its programs, make capital available to Latin America in such a way that, to some extent, our balance-of-payments problems are disturbed, because this capital frees other resources in these countries, allowing purchases to be made in noncontributing nations. We don't view that with a great degree of joy. But nothing in this world is painless and these programs must continue.

We are happy to note that President Herrera, the distinguished leader of the Bank and many of the other spokesmen for the Bank did say at the recently concluded eighth meeting of the Board of Governors of the Bank, that they were going to make every effort to try to encourage Western Europe to invest, not only in the bond program, but in the other capital resource programs of the Bank.

There were some rather ominous overtones to some of the speeches that were made in terms of discouraging Latin American nations to purchase in the noncontributing nations. We hope that the Latin American peoples will bear in mind that credits should be extended from Western Europe to them.

Mr. HANNA. My question would then be, do you not think it would be better for us to put a statement of encouragement of this direction that seems to be already underway, than to try to put language in that might embarrass us, as I think each one of you gentlemen saw there could be some problems. Am I right in that, as far as you are concerned?

Mr. DOHERTY. We note that the Secretary of the Treasury, in his statement said that the U.S. contribution would, of course, be subject to appropriate safeguards and we are happy with that language. We are happy with the administrative regulations that the Bank itself has already adopted and has in motion with regard to protecting this balance-of-payments situation.

Father McLELLAN. This is the only argument I can give to the people. For instance, last year we made a loan—we used the Central Credit Union, Inter-American Bank money as a catalyst loan. We made a loan to the people for tractors. They wanted to buy a tractor from England. It was cheaper, it was more available and I used that argument, saying, look, when they put up some dough then we can do it. But why take our money and help someone else? I don't know how you could phrase it so you wouldn't get everybody mad at us, but

I think the more money we get from these other countries to help us finance things in South America, the more money stays home and the more money we can use for other things.

Mr. HANNA. Thank you, Mr. Chairman.

Mr. REUSS. Mr. Stanton?

Mr. STANTON. Thank you, Mr. Chairman. Welcome, gentlemen.

Father, your reputation is well deserved and well-founded and highly respected. I was just going through here and I noticed the total amount of funds as far as I could see in the Social Progress Trust Fund and the Fund for Special Operations, the Bank has given to Peru something over \$80 million. You said you have been the recipient of \$3 million.

Father McLELLAN. \$3,200,000.

Mr. STANTON. It seems like a small percentage in comparison to the whole.

Do you think that the Government of Peru would be in a position to finance you if there was not an Alliance for Progress?

Father McLELLAN. I would say no. They may be in a position to finance me but the point is we wouldn't be able to get the financing. The reason for the difference in this is that I keep finding and insisting upon direct help to people's organizations. Most of the money has been going to Government organizations in Peru. We are in a revolution now. There is a revolution going on. But a revolution cannot be carried on by a government. If you have a revolution just by a government, you have a change in the name and power and you have no change in social or political structure. The revolution that we are trying to get, a bloodless revolution, is the revolution of the people with their government. We are trying to again, do it ourselves and not go to the Peruvian Government for help. The Housing Bank of Peru could never have gotten off the pad unless they had received a \$7.5 million loan from the old DLF.

I would say that I hope the Inter-American Bank will make more loans to peoples, private peoples' organizations. I do recognize that this is just as difficult as making loans to good governmental institutions. Much of the work of the Inter-American Development Bank has been building institutions—government institutions and, thank God, helping the people to build their own institutions.

Mr. STANTON. I was interested further in your remarks to Mr. Hanna. What intrigues me is that this does free money to the particular South American countries which then allows them to go into markets which will affect eventually our balance of payments. I do not know what the answer to that is. I do not know if we can do anything particularly about it. But it sure would be nice if we could. This idea of hurting people—and what we've got to remember, I am sure you do, is that this money really does come from the taxpayers in all of our districts. They are the people to keep in mind rather than the people who receive it. The difficulty in asking for an increase in funds at this particular time, is the question of whether or not we can afford it.

Father McLELLAN. I just wonder, Congressman, how. In Peru, for instance, part of our policy is to push industrialization. I have always figured that we needed a market, a national market for our own industries first, because I don't know what we can produce in Peru that would really compete with U.S. exports.

Mr. STANTON. I do not think we should do that. We should go down there knowing that these human beings need help and want to get on their own two feet and get out, and if they compete maybe we will all be better off. The question at this particular time, because of the balance of payments, of these countries going other places, going to France—I think they should come to us rather than to France to help our workers. It is a selfish motive, but on the other hand we've got to protect our own workers. It's their money.

Father McLELLAN. I think we ought to compete a little more. Some American companies down there sure don't give us service.

Mr. REUSS. Mr. Rees?

Mr. REES. Mr. Doherty, I visit Mexico City quite often on business. The taxi driver who took me from the airport never told me that the Kennedy project was sponsored by the AFL-CIO. I want to congratulate you.

The AFL-CIO was sponsoring projects where people can own their own homes and it tends to be the private bankers who keep lending money to build public housing. I think we've got a turnaround here.

I would like to ask you, what experience have you had in the savings and loan association you sponsored in northern Peru?

Mr. DOHERTY. What experience have we had there? In Peru our savings and loan was an AID-financed project. Our problem was similar to Father McLellan's. We have found that workers, while they weren't making a lot of money, were capable of saving a bit of their money and if only given a start could own their own homes rather than pay the exorbitant rents they were paying in the slum dwellings. We decided in Peru it would be better to build an institution which we could eventually withdraw from and which would continue over the years to give the workers a wherewithal to build their own homes.

So, we started the saving and loans, too, and it is a completely private organization. It has 11 members on the board and all 11 members come from the Peruvian labor movement. We have given the technical assistance by providing a former president of the National Mortgage Bank of Cuba, Mr. Ignacio Mendoza, as the manager for the first few years. That bank started with just a handful of savers on July 4, 1964. The President sent a message and we opened the doors. Although we received a \$1 million loan from the AID we financed the first year's operations—200 houses—on savings alone. It, however, has over 9,000 savers now, and in 2-plus years of operations has built about 700 homes for workers which they own themselves and for which they are amortizing the loans, paying less percentage of their income for this purpose than they were paying to live in these slum dwellings.

We think it is fantastically successful. We are not asking for any additional capital resources from the United States to go into that institution because we have now built an institution which is self-financed and is repaying its loan to the United States and to the Agency for International Development. We think, frankly, that whatever balance-of-payments problems might have been suffered originally in this loan, have long since been answered by the tremendous benefits that the social revolution in Peru has undergone as a result, again, of the workers, not the government, but the workers in a private sector endeavoring to be able to help themselves. We are very encour-

aged with this type of activity and that is why we support the legislation now before this committee.

We think the Inter-American Development Bank should be in a position to make similar type loans in other countries of Latin America.

Mr. REES. Concerning the amendment that might be proposed for this bill in regards "Buy American," do you think this might cause some resentment in terms of the Latin American members of the Bank?

Mr. DOHERTY. From what we understand, Mr. Congressman, it already has.

Mr. REES. This proposal?

Mr. DOHERTY. The "Buy American." The "Buy American" amendment we put on aid programs in Latin America are unpopular with the Latin Americans and I think that is why there is so much debate about this particular thing going on now. But I do think, however, that Latin American government representatives, labor leaders, and business representatives appreciate that the United States of America has international responsibilities in the defense of democracy, particularly now with Vietnam taking so much in resources, in both human and financial, that they realize that if we are to be able to continue supporting these very, very worthwhile programs under the Alliance for Progress, they themselves are going to have to help us. We are just not accustomed to asking for help in other areas of the world. The Western Europeans are going to have to help us if we are going to continue this very, very worthwhile economic, social, and political development activity in Latin America.

Mr. REES. Thank you.

Father McLellan, your loans now run 9 percent. Is that the usual rate now in Peru, or are they mostly higher?

Father McLELLAN. Mostly higher.

Mr. REES. What do you pay your passbook holders?

Father McLELLAN. We pay 6, 7, and 9 percent. We have to pay up to 9 percent for savings now because somebody down there found out about certificates of deposit. They want up to 9 percent to get a lot of money quickly for public housing and I don't know how we will ever get it down. We pay 6, 7, and 9 percent.

Mr. REES. What is the prime rate in Peru?

Father McLELLAN. Commercial loans from a bank, 14 percent, plus charges.

Mr. REES. Fourteen?

Father McLELLAN. Fourteen percent, plus charges, and everything comes up about to 18 percent, if you can get one. Most people have to go to a finance company and pay maybe 25, 28 percent and the finance company discounts the paper at the banks the next day.

Mr. REES. That would be consumer finance for such items as automobiles and washing machines?

Father McLELLAN. No; this would be to the small businessman who needed some money.

Mr. REES. One more question. What is your required downpayment on homes?

Father McLELLAN. We go down as far as 10 percent. In other words, we give a 90-percent mortgage loan now. We usually give an 80-percent mortgage loan, 90-percent mortgage loans when there is a specific need.

Mr. REES. What are your defaults?

Father McLELLAN. Our last delinquency report at the end of March, 2.58 percent of delinquency. We have had two difficult loans in the savings and loan out of 4,752 houses that we have financed. Those two difficult loans were one to an engineer and another to a lawyer.

Incidentally, I was at an International Congress and one of our almost bad loans was giving a talk as an expert on delinquency.

Mr. REES. Thank you very much.

Mr. REUSS. Mr. Mize?

Mr. MIZE. This is a delightful morning and an excellent panel.

Mr. Balgooyen, in the past when some of your associates' properties were nationalized, were they ultimately paid for?

Mr. BALGOOYEN. They haven't been completely paid for yet because in every case where we sold some of our properties to the government, the payment is over an extended period of years and the payments have been made up to now as they come due. So, none of the countries are in default. An exception is what happened to us in Cuba where the big investment we had was taken by Mr. Castro and his Communist regime and we didn't get a cent. But that was different. I think what you are interested in is where, by mutual agreement, we sold these properties to the government. The governments have complied with their obligations.

Mr. MIZE. Father, do you feel that what you are doing tends to encourage local banks and lending institutions down there to expand their lending activities? Are you kind of leading them in this field?

Father McLELLAN. We will ultimately come to that like it did here in the United States of America—about 30 or 40 years ago very few of us could go to a bank to get a loan to buy an automobile unless you had a Rolls Royce to put down as security. As time comes on the commercial banks will see that the man in the street is a good risk, they will pay and they will move in for business.

Mr. MIZE. I think the Annual Statement of Condition of the Mutual el Pueblo should be put in the record. I ask unanimous consent.

Mr. REUSS. Without objection, so ordered.

(The document referred to follows:)

*The People Savings & Loan Association 6th annual statement of condition, Dec. 31, 1966*

[In U.S. dollars]

	Dec. 31, 1966	Dec. 31, 1965
<b>ASSETS</b>		
Mortgage loans.....	10,640,868	7,554,149
Home improvement loans.....	336,456	274,438
Real estate owned (land for office building).....	65,548	
Office equipment, materials, installations.....	55,780	29,586
Other assets.....	180,639	88,815
Cash in banks.....	2,705,688	1,690,726
Total resources.....	13,954,979	9,811,214
<b>LIABILITIES</b>		
Saving accounts.....	10,808,053	7,173,398
Advances Banco de la Vivienda del Perú.....	1,146,189	969,959
Advances Banco Interamericano de Desarrollo.....	910,341	925,345
Mortgage loans in process.....	641,436	428,935
Other liabilities.....	3,664	10,436
General reserves.....	311,651	185,644
Specific reserves.....	127,645	94,548
Total liabilities.....	13,954,979	9,811,214

Member of: Peruvian Savings and Loan System; Peruvian Savings and Loan League; International Union of Building Societies and Savings Associations; supervised by Banco de Vivienda del Peru.

**ONLY MUTUAL "EL PUEBLO" INSURES THE LIVES OF THEIR SAVERS**

As an added protection for your family your association "El Pueblo" has insured since November 1, 1965, the lives of all our savers for the insurable balance of their savings account up to \$2,000. This additional security for your family costs you nothing "El Pueblo" pays the entire insurance premium.

Insurance on the lives of our borrowers. "El Pueblo" was the first savings and loan in Peru (Oct. 1, 1965) to insure the lives of borrowers for their outstanding debt to the association. This type of insurance since January 1967 is now obligatory in Peru. But only in mutual "El Pueblo" does the association share with its borrower the payment of the insurance premium. In mutual "El Pueblo" this insurance costs you 50 percent less than anywhere else.

**BOARD OF DIRECTORS**

Father Dan Mc Lellan M. M., priest of the American Maryknoll Fathers. President and founder of the People's Savings & Loan. Honorary life president of Peruvian Credit Union League. Vice president and member of executive committee of International Union of Building Societies and Savings Associations.

Augusto Dammert Leon, first vice president of the People's Savings & Loan. Mayor of San Isidro, Lima. Diplomat, professor in the Social Service School of the Catholic University, Lima. Founding member of Popular Christian Party.

Luis Paredes Stagnaro, director Peruvian Mining Bank. President of executive committee of Peru Invest.

Jorge Grieve Madge, former Cabinet Minister of Public Works. Director, National Bank of Peru. Former member of Inter-American Planning Board.

Juan Pardo Heeren, former Cabinet Minister of Finance. Financier-businessman.

Cesar Carrillo Salinas, attorney. Professor of labor law in the Catholic University Lima and the University of Lima. National chairman of the Christian Democrat Party.

Eduardo Orrego Villacorta, architect. Member of Congress representing Lima. Founding member of Acción Popular Party.

Alfonso Lopez Jauregui, manager of the Industrial Bank of Peru.

Leonardo Paredes Olmedo, labor leader, Officer of Peruvian Credit Union League.

J. Manuel Velasco Silva, retired official Peruvian Customs Agency.

Guillermo Angeles Garcia, assistant manager. Former manager, Peruvian Credit Union League.

Mr. MIZE. Mr. Doherty, the AFL-CIO is an international group, is that correct?

Mr. DOHERTY. International only in the sense that some of our affiliated unions have affiliated organizations such as local unions in Canada. Also international in the sense that the AFL-CIO is affiliated with the International Confederation of Free Trade Unions, which is a worldwide body. But as such, it is a U.S. institution.

Mr. MIZE. Now, the housing projects that the AFL-CIO is financing and promoting down in Latin America, they are for low-income working people. Are they only union people who you sell these homes to?

Mr. DOHERTY. In most instances they are, but not in every instance, however. In our project in Mexico City where there are 3,100 families, I would say about 80 percent of them are union people, 10 percent are professional people, lawyers, doctors, the type of people that you have to have in a project. We wouldn't want the people from the same union living together in one housing project because if they work together all day long it is not sociologically good that they live

together all evening long, too. So, we try to encourage to the extent possible, a sociological mix—we try to have teachers, dentists, doctors, as well as union members in the project. But all of our projects are sponsored by local unions.

Mr. MIZE. Thank you very much.

Mr. REUSS. Thank you, Mr. Mize.

I have just one further question which I would put to you, Mr. Balgooyen.

On the proposed amendment that we have been discussing, I am concerned by the possible untoward effect of the language of the amendment which says:

*Provided, That funds herein authorized are utilized for the purchase of United States goods and services to the greatest extent possible and in such a manner that said United States exports do not substitute for commercial exports that would have been purchased in any event by the country or countries receiving the loan assistance for funds authorized under this Act.*

Now, that sounds perfectly fine, but in practice——

Mr. BALGOOYEN. It would be very difficult to administer.

Mr. REUSS. Would it not fracture the Inter-American Development Bank? Let me give you my fear on it, to see whether I am imagining bogeymen—and I do not think I am. In fact, the whole reason for the Alliance for Progress and the Inter-American Development Bank is that, by and large, the countries of Latin America cannot generate enough foreign exchange by their exports to do the kind of social and industrial and agricultural development we feel is necessary.

Now, let us suppose that this language I have just read somehow got into legislation. Let us take a most worthy type of project; for example, the road in Peru to open up wilderness lands so that more people can go into farming and raise more badly needed food. Let us suppose that to build the road American bulldozers are needed, as they surely would be. And let us suppose the Inter-American Development Bank programs that loan and arranges for the procurement of an American bulldozer from Caterpillar, Bucyrus-Erie or whoever. Am I imagining something—and I do not think I am—when I say if that language became part of the act then a U.S. official somehow or other, to enforce that language, would have to go through the Inter-American Development Bank and go perhaps to the Minister of Economics or the Minister of Trade in Peru and say, “Now, look, would Peru have purchased this bulldozer from the United States in any event if there had been no Inter-American Development Bank loan?” I think that the Minister of Economics for Peru, being an honest man would have had to say, “Well, Mr. Administrator, I cannot make an affidavit that we would not have purchased it. We need that bulldozer very badly. We might very well put import controls on something else so that we could have purchased that bulldozer or we might, without putting on any import controls, simply have drawn down our foreign exchange reserves a little more, to a more dangerous level. We needed that bulldozer awfully badly, and hence I am not in a position to make an affidavit that we would not have purchased that as a commercial export, though I surely could make an affidavit that we are awfully short on foreign exchange, and we need general Inter-American Development Bank help.”

Would that not be what an honest Peruvian official would have to say, and would that not mean that under this language the loan is therefore kaput and you might as well fold up?

Mr. BALGOOYEN. This language did trouble me for the reason I mentioned. It is hard to prove what would happen "if." It is hard to say that the road would not have been built in any event if the loan had not been granted by the IADB. It might have been granted by the World Bank or the Export-Import Bank. They might have been able to finance it out of their own resources in which case, of course, they probably would have needed American bulldozers, because they are competitive, certainly, in Peru. There are plenty operating there. So, I don't know how you would administer it.

Another thing that troubles me, in line with the remark made by Father McLellan earlier, when the Social Progress Trust Fund is used for housing or for roads and so on, a very substantial amount of the proceeds of these funds are converted into local currencies and used for local procurement and in some cases they may even be used for procurement from a neighboring country; but they certainly promote some of the things that the Alliance for Progress stands for; namely, economic integration, and development of local industry. Moreover, and there may be some inconsistency between the amendment and the objective of the U.S. Government, as expressed by President Johnson at the recent Punta del Este Conference, that the United States is willing to devote additional funds to promote Latin American economic integration and all that that implies.

Now, in other words, what I am saying is, that if there is a project in Peru and they can use some equipment that comes from Mexico and doesn't cost them any more than it does from the United States, isn't it equally to the advantage of the United States that they would buy it from Mexico, particularly in view of the fact that we intend to put in \$300 million a year, if President Johnson can get it out of Congress, in addition to what we are already putting into Latin America, to promote this very thing, to promote economic integration.

The other point is, when you look at the statistics, most of these dollars come back to the United States anyway because the United States is far and away the greatest supplier of Latin American imports, supplying more than twice what any competing country does. So, if the funds were loaned to Latin American countries for some of these projects and they are converted into local currency and the dollars go to the central bank, eventually they are going to be used, and nine times out of 10 for the purchase of equipment in the United States anyway.

Mr. REUSS. Thank you. Father, do you want to speak to that?

Father McLELLAN. I would like to make—to explain what is happening now.

I am afraid of the language, like I said, Congressman, because right now I have \$88,000 of credit in letters of credit where I authorize the First National City Bank to handle them for me. I have to go back down to Peru and I have to sell it to some importer from Peru, those \$88,000 of letters of credit. This importer from Peru presents these bills of lading and everything like that up here to the Inter-American Bank to pay for imports from the United States. I am worried about the language—was this fellow going to import these goods anyway? I would have to find somebody down there that wasn't going to import anything from the United States and talk him into importing some-



thing from the United States or I might not be able to use the loan. I am afraid of the language.

Mr. REUSS. Thank you very much.

Mr. Widnall?

Mr. WIDNALL. I just would be interested in following up on the statement in connection with the tractor. Was the tractor company in England a subsidiary of an American company?

Father McLELLAN. I believe it was, Fordson Tractors. But they were manufactured in England and there was a similar tractor manufactured in the United States.

Mr. WIDNALL. This is an interesting development. I notice in connection with our competition, that the competition that comes from other countries, a lot of it comes from overseas additions to American companies.

That is all. Thank you.

Mr. REUSS. Any other questions?

We are grateful to you, Mr. Doherty, Father McLellan, and Mr. Balgooyen, for your excellent labor-management symposium here this morning. Thank you so much.

Without objection I would like to put into the record statements which are being received on the legislation from the Cooperative League of the United States, from Miss Virginia Prewett of Hemisphere Hotline, from the U.S. Chamber of Commerce, from the Friends Committee on National Legislation, the League of Women Voters, David Rockefeller of the Chase Manhattan Bank, and the Foundation for Cooperative Housing.

Without objection, those will be received.

(The documents referred to follow:)

THE COOPERATIVE LEAGUE OF THE USA,  
May 2, 1967.

HON. WRIGHT PATMAN, *Chairman,*  
*House Banking and Currency Committee,*  
*U.S. House of Representatives, Washington, D.C.*

DEAR CHAIRMAN PATMAN: I have learned with interest that your Banking and Currency Committee will be examining soon the merits of the bill to amend the Inter-American Development Bank Act in a way that would allow the United States to participate in the effort to increase resources of the Bank's Fund for Special Operations.

Consistently over the years the biennial Congresses of the Cooperative League of the USA have supported in formal resolutions, and through their approval of the League's own participation in our foreign aid program, the objectives of this legislation. The multi-lateral approach of the Bank in its aid operations is especially appealing, and the new legislation being proposed calls for increased multilateral financing as well. We believe it to be a healthy tendency that \$300 million of the contemplated new resources will be coming from our Latin American neighbors.

Involvement is the key to interest and support, and this degree of involvement is assurance of new vitality and concern for what the Inter-American Development Bank is undertaking to do. This sum represents a decided increase for the Latin world over its last contributions, both in absolute terms and relative to the support which the United States gives to the Bank.

The League has commended the President, the Agency for International Development, and the instrumentalities (such as the Inter-American Development Bank) through which our country implements its purpose of helping with the economic development of countries included in the Alliance for Progress. Naturally any step to increase the capital available to make the Bank's program more effective has the support of the Cooperative League.

Sincerely yours,

SHELBY EDW. SOUTHARD.

## INTER-AMERICAN DEVELOPMENT BANK IS PROVING PIONEER IN SPURRING INTER-AMERICAN DEVELOPMENT

(By Virginia Prewett)

WASHINGTON, D.C.—The Inter-American Development Bank, which is this week the subject of hearings before the House Banking and Currency Committee, is proving a most useful and effective instrument for mobilizing Latin American self-development. As "self-help", this today looms large in U.S. policy.

Here is proof:

Before the bank was created, it was taking about five dollars of international capital to mobilize one dollar in Latin American capital. Today, two dollars of IDB capital mobilizes \$3 of Latin American capital—a radical change. Of \$5 billion the bank has mobilized for projects, only \$2 billion is bank-supplied.

Since the Latin American nations participate proportionally and supply by far the greater number of IDB staff, it is a superb instrument for pioneering changes that it might prove difficult for any non-multilateral agency to put over.

The Bank is also proving again the high capacity of the U.S. and the Latin American countries, in spite of differences in size and wealth, to work together constructively. The U.S. by no means carries the day in IDB councils. But the U.S. voice is appropriately heard and respected. There has never appeared the slightest tendency of the Latin Americans to gang up on the U.S.

Two areas in which the IDB has been quietly pioneering are today of intense interest to the U.S. people. The first is the development of Latin America's agriculture.

Since its founding in 1961, the IDB has devoted a third of its total resources to strengthening and developing Latin America's farm sector. A recent survey shows that it has been the source of more than 50% of all the international financing done for Latin America since its founding.

The ratio is increasing and the bank has the experience and the organization to increase it still further. A limiting factor is the shrinking capability of the Latin American countries to pay the commercial-type interest on "hard" loans. The IDB needs more funds from the U.S. for use in lending cheaper money for long periods, in order to spur Latin America's agriculture.

The IDB has also pioneered in getting European and non-member countries to lend money for Latin American development. Its latest project in this direction is a strong hint that if more European nations do not come more strongly into the picture, the IDB loans may after this year be tied to Latin American's purchases from those countries that are helping.

This move amply illustrates the value of the bank. Such a policy cannot be deeply resented in Latin America if originated and implemented by the regional banking institution in which they have such a strong voice.

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CHAMBER OF COMMERCE OF THE UNITED STATES,  
May 11, 1967.

HON. WRIGHT PATMAN,  
*Chairman, House Banking and Currency Committee,*  
*U.S. House of Representatives,*  
*Washington, D.C.*

DEAR MR. PATMAN: The provisions of H.R. 9547 for continued United States participation in the Inter-American Development Bank were not known in February when the National Chamber's Foreign Assistance Task Force and International Committee reviewed foreign assistance programs. Therefore, the National Chamber has no position at this time on the request for a three-year U.S. subscription of \$900 million, which our Foreign Assistance Task Force will consider at its next meeting.

Multilateral development financing and technical assistance should be emphasized as an essential instrument of United States foreign policy. We are encouraged that efforts are being made by the IDB to make burden-sharing a reality in the scaling of contributions. The pledge of Latin American members of the IDB to increase their contributions from \$50 to \$100 million a year for a three-year installment period as a commendable step. So too, are provisions for freer local cost financing in foreign currencies which will minimize the balance-of-payments cost to the U.S.

The National Chamber urges your Committee to encourage the U.S. Governor of the IDB to support regional development programs that place stronger emphasis on the use of private resources in economic development. We are in accord with the President's emphasis in his Latin American message on increased trade, agricultural productivity and self-help. The Chamber's view is that the North American business community can and should fulfill an increasing role in providing commercial, technical and entrepreneurial support for hemispheric economic and social progress. We hope and believe that emphasis on this role will ultimately reduce the need for public funds.

I would appreciate your including this letter in the record of the present hearings on H.R. 9547 to provide for continued United States participation in the Inter-American Development Bank.

Cordially,

DON A. GOODALL.

FRIENDS COMMITTEE ON NATIONAL LEGISLATION,  
Washington, D.C., May 9, 1967.

Representative HENRY S. REUSS,  
*Chairman, International Finance Subcommittee, House Banking and Currency Committee, House Office Building, Washington, D.C.*

DEAR MR. REUSS: The Friends Committee on National Legislation warmly supports early enactment of H.R. 9547, which would authorize \$900 million of additional contributions to the Fund for Special Operations of the Inter-American Development Bank over the next three years. Our organization is convinced that such multilateral, low-interest rate development agencies constitute the world's best hope and the most effective technique for accelerating the development process in the poorer nations. We would be happy to see the U.S. contribution to the IADB increased still more in view of the growing gap between the United States and the nations of Latin America. According to figures published by the Agency for International Development, GNP per capita of the United States in constant prices was \$3,648 in 1966 and \$394 for the 18 Latin American Republics. The economic growth rate for the United States for 1966 was 4.2 percent. It was 1.1 percent for the Latin American Republics.

However, we are uneasy over the increasing tendency to tie U.S. contributions to U.S. procurement because of balance of payments difficulties. We note that Secretary Fowler told this subcommittee on May 3 that because of such restrictions an estimated 90 percent of U.S. contributions to the FSO will return to this country, and that the Bank itself is even prepared to "limit the use of dollars for local costs—except for agriculture and education—to the levels achieved on the average in 1966."

We are uneasy over this restriction for several reasons. It sets a bad precedent for other donors. It tends to handicap and unduly complicate the effective functioning of international agencies. It drives up the costs of development for the Latin countries and constitutes an added difficulty for nations who are already suffering from a "widening gap," and an inability to enter into industrial markets because of the high tariff rates charged by the developed nations.

In addition to its adverse effects on Latin America, we wonder if such a restriction can accomplish its stated purpose of easing the balance of payments problem. According to the "Special Analyses Budget of the United States, Fiscal Year 1968," U.S. payments difficulties stem in large part from the war and other military expenditures; the Department of Defense alone is expected to have a \$2.7 billion deficit in its overseas transactions in fiscal 1968, whereas AID and the Treasury Department will run a combined deficit of only \$658 million. In fact, one "aid" agency, the Export-Import Bank, is expected to receive some \$1 billion in interest and loan repayments from abroad.

Because of such statistics, we would urge this subcommittee to review and reevaluate the "tied loan" concept in the light of (1) its effect on political relationships with the developing world, (2) its effect on economic development in Latin America and other areas, and (3) its real effect on the balance of payments. We would hope this subcommittee would also explore alternate ways of coping with balance of payments difficulties.

We would appreciate your including this letter in the printed record of the hearings.

Sincerely yours,

EDWARD F. SNYDER.

## STATEMENT OF THE LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

The League of Women Voters supports the legislation (H.R. 9547) now before your committee, authorizing the United States to participate in an increase in the resources of the Fund for Special Operations—the “soft loan window” of the Inter-American Development Bank.

We are pleased that the proposed U.S. contribution to the Fund of \$300 million a year for the next 3 years represents a 20-percent increase over the last U.S. contribution. Such an increase is a continuing positive approach by the United States in an effort to aid Latin American countries. We believe the availability of additional “soft loans” is important to the economic growth of these countries.

As a long-standing supporter of the self-help concept embodied in the U.S. aid policy, we are especially interested that Latin American countries have doubled the amount of their contribution to the Fund. We are also encouraged by the evidence of *mutual* self-help; that is, the fact that the four largest Latin American members—Argentina, Brazil, Mexico, and Venezuela—proposed to permit a large proportion of their contributions to be used by the Bank to make loans to the much less developed nations in the Southern Hemisphere.

We would like to take this opportunity to express our disappointment that the Inter-American Bank's Fund for Special Operations is to continue the “tied loans” arrangement agreed to 2 years ago whereby U.S. contributions are to be used for the most part for purchases of U.S. goods and services. May we reiterate what we stated in 1965 at the time of the last increase in the U.S. contribution to the Fund for Special Operations—that “the League views tied loans with a rather skeptical eye.” Although we are cognizant of the balance of payments problems with which the United States has to deal, we would prefer that development loans be spent on a worldwide basis. We were glad to note that the report of the executive directors of the Inter-American Bank points out that the Bank proposes “to cooperate in the greatest possible degree with the United States in meeting its balance of payments difficulties by suitable measures” but emphasizes that such measures should “be subject to review as conditions change.”

We are also concerned about a new initiative which the Bank is considering related to its “hard loan window” where procurement with “ordinary capital” funds is made on an international competitive basis. As we understand it, the Bank is exploring alternative courses of action such as a possible arrangement so that loans should be linked to procurement of goods and services from countries which have made satisfactory contributions to the Bank. Although, again, we are sympathetic with the problems created by our balance of payments difficulties, we deplore the proliferation of the tied loan trend which already dominates the development loan pattern of other countries as well as our own.

As an alternative we would like to encourage our government to continue to look for more positive, less restrictionist balance of payments remedies, including continued emphasis on the need for international monetary reforms. We also hope that alleviation of the pressures on the U.S. balance of payments will over the long run make it possible to eliminate our tied loans policy. We believe that the emerging nations, in order to become self-supporting and economically sound, should be able to buy goods and services wherever they can do so most advantageously.

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THE CHASE MANHATTAN BANK,  
New York, N.Y., May 9, 1967.

Hon. HENRY S. RUESS, *Chairman, Subcommittee on International Finance of the House Committee on Currency and Banking, House of Representatives, Washington, D.C.*

DEAR CONGRESSMAN RUESS: I am delighted to write in support of H.R. 9547, which would authorize the United States to participate in an increase in the resources of the Fund for Special Operations of the Inter-American Development Bank. I have always believed that the IDB performs an important function in Latin America because it has a completely Latin American focus, is staffed and lead primarily by Latin Americans, and is financially supported by member governments. In this regard I am gratified that the proposed increase by the U.S. is to be fully matched by an increase from the Latin American side, representing a 100% increase for them compared with a 20% increase for the U.S.

The Inter-American Development Bank has taken on added significance in view of the responsibilities given it by the Presidents of the American Republics in the Declaration of *Punta del Este* in April of this year. The bank was then entrusted with fostering Latin American integration. It has already moved far in this direction, most notably through the Institute for Latin America Integration set up by the bank last year. Now, however, the bank has an explicit directive to promote regionally oriented enterprises that can eventually contribute to the goal of a common market. To fulfill its new responsibilities and to continue the work begun in other areas, I sincerely hope that the United States will give its full share of financial support, and that the amendment to the Inter-American Development Bank Act contained in H.R. 9547 will be passed.

Sincerely,

DAVID ROCKEFELLER

FOUNDATION FOR COOPERATIVE HOUSING,  
Washington, D.C., May 10, 1967.

HON. HENRY S. REUSS,  
*Chairman, Subcommittee on International Finance, Committee on Banking and Currency, U.S. House of Representatives, Washington, D.C.*

DEAR CONGRESSMAN REUSS: In connection with the work of your Subcommittee in consideration of H.R. 9547, we will be very happy if the following statement can be included in the record.

As you will remember, I appeared at the request of Chairman Wright Patman, before the Committee on Banking and Currency, on February 5, 1965, as a technical witness giving the Committee our judgment about the work of the Inter-American Development Bank and its importance for the continuing program of low-cost and cooperative housing designed to meet the needs of the people of Latin America.

This statement is to up-date and supplement our testimony at that time.

The Inter-American Development Bank in its 6th *Annual Report* published in February 1967, points out that, "Housing, and particularly housing for low-income groups, has not kept pace with Latin American economic development, and the quantitative and qualitative aspects of the problem have become progressively more acute in most countries of the region."

The Bank goes on to point out that, "Forty per cent of Latin America's current urban population, about 45 million people, lives in extremely crowded conditions, with three or more persons per room in units built of improvised materials providing minimum shelter for the occupants. Only half of urban homes have access to running water, and a smaller proportion has sanitary facilities, and unhygienic conditions convert existing dwellings into breeding grounds for endemic and contagious disease. In rural areas less than 10 per cent consist of traditional mud and wattle shacks or adobe huts which have changed very little since pre-Colombian times."

The most serious and dramatic problem of Latin America of course, is in its squatter settlements, where people have moved from dismal rural slums and have seized public and private property for their own dwellings because no other housing of any kind was available at any feasible price.

The *Annual Report* of the Inter-American Development Bank points out very dramatically, "... marginal settlements, known as *barriadas* in Peru, *callampas* in Chile, *favelas* in Brazil and *ranchos* in Venezuela, have sprouted in nearly every Latin American city since World War II, aggravating the traditional slum problem. Most shanty-towns initially were settled by squatters, but in time most of the precariously built dwellings grew and assumed a functional role within the slums, and are bought, sold and rented by 'owners' and tenants.

"In Caracas over 35 per cent of the city's inhabitants live in *ranchos*, despite construction of 'superblock' apartment buildings housing 160,000 persons. In Rio de Janeiro the population of the *favelas* rose from 400,000 persons in 1947 to 900,000 by 1961, accounting for 38 per cent of the city's inhabitants. In Northeast Brazil, Recife's shantytowns accounted for about 50 per cent of the city's population in 1961. A recent report by Richard Morse indicates that the *barriada* population in Lima grew from about 100,000 in 1958, when it was 10 per cent of the city's population, to about 400,000 in 1964, or 20 per cent. In Argentina perhaps 10 per cent of the population of Greater Buenos Aires, some 800,000 people, live in *villas miserias*. The environment in which these slums flourish

is familiar and complex. Poverty, overcrowding and vulnerability to disease prevail. Social delinquency is rife because of family instability, lack of privacy and absenteeism from work and school.

"This situation is not too different in rural areas, where housing needs are greatest in absolute numbers, even though the dispersion of population makes needs seem less apparent."

These facts and figures from the Bank's official *Annual Report*, underline the importance of a continuing program to try to correct an evil which could undermine the economies of these countries in health and productivity, destroying the effectiveness of President Johnson's new priority program in agriculture, health and education.

We would like to commend the Inter-American Development Bank for the steps that it has taken so far in the creation of a program to start meeting the needs for basic housing in Latin America.

This is not just a matter of building a few houses.

It's a problem of *creating the institutions* through which people can help themselves to better housing and living conditions.

This calls for the development of internal resources in most of the countries in Latin America so that existing resources can be mobilized to tackle this problem of housing.

The Bank's approach to this problem has included most of the basic ingredients for meeting this problem. It includes support for the development of savings institutions in these countries through which people are encouraged to save money to build their own homes. This includes credit unions for people in the lower income groups and savings and loan associations serving primarily the emerging middle class in those countries.

In this field, the Bank has worked closely with AID in financing the organization and development of credit unions and cooperatives. Credit Unions, so organized, have accumulated about \$80 million worth of resources in areas where some specialists thought no savings at all were possible. The savings and loan associations in Latin America, according to the latest report of the National League of Insured Savings Associations here in Washington have an equally dramatic record. There are 93 associations in Bolivia, Chile, Dominican Republic, Ecuador, El Salvador, Guatemala, Panama, Peru and Venezuela, organized under this program and supported by AID under the Humphrey Amendment. More than 500,000 people are saving money in these associations. Their net savings have been \$179 million, measured in U.S. dollars. Sixty-one thousand new homes have been built and mortgages recorded total more than \$300 million.

Since the establishment of the Bank and in close cooperation between AID and the Inter-American Development Bank, housing institutions with nationwide authority and responsibilities were established in nearly all of the countries in Latin America. These institutions, according to the Bank, have opened financial channels to low-income families that were previously closed to them. These institutions have been working through cooperatives, savings and loan associations, self-help and mutual assistance schemes and municipal governments.

The Bank is proud of the fact, according to its *Annual Report*, that, "... expansion of mortgage financing activities such as savings and loan associations, mortgage insurance programs, housing cooperatives, condominiums and other means of channelling private savings toward the primary and secondary mortgage markets" has come as a result of "growing confidence in saving and borrowing and underwriting mortgage insurance (which) is growing, especially among families approaching middle-income levels."

"It can be anticipated," the Bank Report declares, "that the program will continue as more capital becomes available for this purpose from internal and external resources."

The Bank has made housing loans as of December 31, 1966 totalling about \$275 million measured in U.S. dollars which were financing programs amounting to \$613 million. The rest of the money has come primarily from local capital and the savings of people who were encouraged to save because of the possibility of securing a decent home of their own.

When I testified before the Banking and Currency Committee earlier, I pointed with pride to the fact that cooperative housing programs in Chile and Brazil financed by the Inter-American Development Bank had exceeded the original schedules in producing more housing for less money than was anticipated.

Just a month ago, I had the privilege of visiting many cooperative housing projects in Chile and was delighted with their low-cost, their fine design and

construction, and the fact that the people living in them were proud of their housing and maintaining them very well.

Our men in Brazil have indicated a continuing forward movement of that program, particularly in the State of Minas Gerais.

The above is a very long introduction to the major points I would like to make in this statement.

*First*, the Bank in its operations during the last six years has demonstrated the effectiveness of a multilateral approach to the financing of development. The request of the Bank for additional funds for its operation in the years ahead warrants the support of the Committee on Banking and Currency and the Congress. For good use has been made of the funds made available to them to-date, particularly in this field of housing where we have some competence for judgment. And, we are happy to indicate our support of the proposed \$900 million authorization to be used to increase the resources of the Fund for Special Operations of the Bank.

Our *second* point is one of concern and warning.

Because of the limited funds that are available in the field of development, certain priorities have been set by the President and are reflected in policies of AID and the Inter-American Development Bank. These place primary emphasis on agriculture, health and education. With this directive there is a feeling in some quarters that everything else should be cut back and large amounts of capital should not be used for such items as housing for low-income families.

It is important to consider that if there is to be an increase in agricultural production, an improvement of health and a stepping up of education, housing for the families concerned is an important factor in productivity, health and the social conditions essential for education.

Neither the President nor the Administrator of AID have recommended cutting out other programs being carried forward by AID and the Inter-American Development Bank. They have only indicated a concentration of effort on these priorities.

Institution-building through credit unions, savings and loan associations, co-operative housing groups and others should not and must not be cutback or killed in this period of transition. As a minimum there needs to be a continuing program of technical assistance and development in the fields of capital accumulation and self-help to meet the most basic needs.

If there must be a cutback in large scale loans, the cutback should be in housing for higher income groups. There should be continued and expanded input for technical assistance and materials through which people can be helped to help themselves.

In addition to these steps, it is essential to do the basic *planning* and institutional development which is essential to meet this crying need for decent shelter in the days ahead when major resources can be redirected into the field of housing.

It is important to remember that housing is a *dynamic* factor in development; that, in addition to providing better shelter and better living, it creates more jobs and more wealth in our communities, creates a construction industry, building materials industry, self-supporting financial institutions and the other apparatus of development including skilled trades and financial know-how.

Even more important, better living conditions increase the health and morale of the people and as a result increases their productivity; so that the investments in housing pay off not only in shelter but in expanding prosperity and development.

It is very important that as the Committee approves, and we sincerely hope it will approve additional funding for the Inter-American Development Bank, that it indicate the importance of continuing these excellent programs which have just begun to scratch the surface.

Sincerely yours,

WALLACE J. CAMPBELL, *President*.

Mr. REUSS. The National Advisory Council on International Monetary Policies submitted a special report for the record.

(The report may be found in the appendix, p. 188.)

Mr. REUSS. The record will be kept open until the next Tuesday for the submission of these and any other additional statements.

Mr. MIZE. Mr. Chairman, are the thrust of these letters generally favorable to the legislation?

Mr. REUSS. I believe they are all in favor of the legislation.

However, I hasten to add that any segments which come in from any individual or organization in opposition to the legislation, or in part critical of it, will be received also.

Thank you very much indeed, gentlemen.

The formal hearings are now concluded and I will ask members to remain for the executive session.

(Whereupon, at 11:50 o'clock a.m. the subcommittee adjourned, and proceeded into executive session.)





## INTER-AMERICAN DEVELOPMENT BANK ACT AMENDMENTS OF 1967

TUESDAY, MAY 9, 1967

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D.C.*

The committee met, pursuant to notice, at 10:52 a.m., in room 2128, Rayburn House Office Building, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman, Multer, Reuss, Ashley, Moorhead, Stephens, St Germain, Gonzalez, Minish, Gettys, Annunzio, Rees, Bingham, Galifianakis, Bevill, Kyros, Widnall, Mrs. Dwyer, Halpern, Brock, Clawson, Johnson, Stanton, Lloyd, Blackburn, Brown, Williams, and Wylie.

The CHAIRMAN. The full committee is meeting this morning to hear testimony from Secretary of the Treasury Fowler on the Inter-American Development Bank bill, H.R. 9547. The International Finance Subcommittee of the Banking and Currency Committee has concluded 2 days of hearings on this bill, after having received testimony from Secretary Fowler, Assistant Secretary of the Treasury and U.S. Director to the Inter-American Development Bank True Davis, and Assistant Secretary of State for International Affairs Lincoln Gordon. In addition to these administration witnesses, the subcommittee also heard testimony from William C. Doherty, Jr., administrator, American Institute for Free Labor Development, AFL-CIO; Father Dan McLellan, M.M., president, Mutual El Pueblo, Lima, Peru; and Henry W. Balgooyen, president, American & Foreign Power Co., Inc. At the conclusion of this second day of hearings, on May 4, the subcommittee reported the bill favorably to the full committee.

In substance, this bill authorizes the U.S. Governor to the Bank to vote for an increase in the Bank's Fund for Special Operations. The bill provides for a U.S. contribution to the Fund of \$300 million per year for the next 3 years. While this represents a 20-percent increase over the previous annual contribution of \$250 million made to the Fund by the United States, it should be noted that the Latin American countries have doubled the amount of their contribution to the Fund—from \$50 million per year to \$100 million per year.

The bill comes before us against the background of the significant meeting of the Presidents of the Americas at Punta del Este, Uruguay, last month. The Bank is a keystone in the success of the Alliance for Progress. It has received our support in the past. Its successes are ample testimony to the fact that such support was deserved.

Mr. Secretary, we welcome you to the committee this morning and ask you to proceed in your own way. But first, will you please present the gentlemen accompanying you for the record?

STATEMENT OF HON. HENRY H. FOWLER, SECRETARY OF THE TREASURY, ACCOMPANIED BY MILAN C. MISKOVSKY, ASSISTANT GENERAL COUNSEL; HENRY J. COSTANZO, DIRECTOR, OFFICE OF LATIN AMERICA; THOMAS LEDDY, OFFICE OF LATIN AMERICA; NICHOLAS REY, OFFICE OF INTERNATIONAL AFFAIRS, DEPARTMENT OF THE TREASURY; AND REUBEN STERNFELD, ALTERNATE U.S. EXECUTIVE DIRECTOR, INTER-AMERICAN DEVELOPMENT BANK

Secretary FOWLER. I have Mr. Miskovsky, who is Assistant General Counsel of the Treasury Department; Mr. Sternfeld, who is the Alternate U.S. Executive Director for the Inter-American Development Bank; Mr. Henry Costanzo, Director of the Office of Latin America; Mr. Thomas Leddy, with the Office of Latin America in the Treasury; and Mr. Nicholas Rey, who is a special assistant to me.

The CHAIRMAN. Thank you.

Any questions of the Secretary?

Anyone desire to ask the Secretary any questions?

Mr. Brock?

Mr. BROCK. Mr. Secretary, one of the problems raised in this legislation is the leakage of funds into non-U.S. purchases. I think it has been discussed with you on several occasions, and I think you mentioned the problem in some of your speeches, particularly at Pebble Beach, Calif.—the difficulty with controlling leakage.

Is there anything that the Congress can do to assist in tying these funds more closely to the purchase of U.S. goods and services?

Secretary FOWLER. There are things that the Congress could conceivably do, but in my judgment they would be undesirable and counterproductive in achieving any substantial results. They would, in effect, ignore the patterns of cooperation that exist and have been developing in dealing with this problem on the part of the Bank management and the various countries concerned. Therefore, I have felt that it was undesirable to direct the committee's attention to any legislative formulas to achieve the objective of additionality.

Mr. BROCK. Mr. Secretary, the purpose of the Inter-American Development Bank is to assist in the development of the economies of the member nations, is that not so?

Secretary FOWLER. That is correct.

Mr. BROCK. It is your idea that if we put in language which would prohibit U.S. funds, except for the purpose of purchasing goods and services produced here in this country, that that would be detrimental to the objective of developing their entire economy?

Secretary FOWLER. I take it, Mr. Brock, that we are not talking in very general terms, but you have a very specific thing in mind; namely, the local cost problem. That must be what you have in mind, in view of the fact that there is already outstanding and as a matter of record in the last hearings, the letter of May 20, 1965, from the U.S. Governor to the Bank which reads as follows:

As U.S. Governor of the Inter-American Development Bank, I am pleased to inform you that the United States has now completed the legislative process necessary to make available \$250 million for payment of the first installment of the U.S. share in the increase in resources of the Fund for Special Operations;

and that the United States will be prepared to make payment promptly in that amount.

In accordance with the provisions of article V, section 1(c) of the Articles of Agreement of the Bank, the United States hereby gives notice of its desire that U.S. currency made available to the Bank as the result of its increased contribution of \$750 million to the Fund for Special Operations be used for the purchase of goods or services from the United States, or for the acquisition of goods or services of local origin in the country in which the project is located. Funds may also be used for the acquisition of goods or services produced in other countries which are members of the Bank if in the judgment of the Bank such transactions would be advantageous to the borrower. With respect to the use of funds for purchases in the countries where the projects are located, it is understood that the related dollars would be disbursed under the agreed letter of credit procedure for the purchases of goods or services from the United States.

So, since 1965, insofar as the Fund for Special Operations is concerned, these loans have been tied to the acquisition of goods and services from the United States in exactly the same manner as we have tied our direct bilateral lending activities under the AID program. This does leave open the question of the so-called local costs. Therefore, I assume I am correct in saying that your questions are directed to whether or not there should be an elimination of any use of these funds for so-called local costs.

Mr. BROCK. That is part of it. I am also concerned about the possibility for substitution of these funds, to say they are used for goods or services purchased here, and we just simply shift projects back and forth in order to achieve the certain amount of dollars necessary under the terms of the loan.

What I am interested in, Mr. Secretary, is developing this Common Market approach and developing the productivity and economy of all these member nations, and I do not want to see any amendment tie the hands of the Bank to the extent that you prohibit the purchase of goods and services from other members of the Bank.

Secretary FOWLER. The present arrangement, in my judgment, adequately and completely covers that possibility.

Mr. BROCK. It seems to me the present arrangements are pretty restrictive in purchases from other members.

Secretary FOWLER. That is right.

Mr. BROCK. Would it not be better if the restrictive language said that the purchase of goods and services from—that professional services under the terms of this loan could come either from the United States or other member nations?

Secretary FOWLER. It does that, Mr. Brock, already.

Mr. BROCK. I do not believe it does, in the letter that you just read. It specifically limits it to goods and services from the United States, except in the low cost of locally available—

Secretary FOWLER. Or for the acquisition of goods and services of local origin in the country in which the project is located.

Mr. BROCK. That is what I am talking about. You are limiting it to the country and not the other members.

What if they can produce a better product?

Secretary FOWLER. The next sentence is designed specifically to cover that. It says: "Funds may also be used for the acquisition of goods or services produced in other countries which are members of the Bank if in the judgment of the Bank such transactions would be advantageous to the borrower."

Mr. BROCK. That applies to the U.S. dollar commitment?

Secretary FOWLER. Yes; to the FSO—our commitment to the FSO funds.

Mr. BROCK. Tied to the project?

Is it not possible for the transfer of these funds, so you can have substitution?

Secretary FOWLER. No, the only area in which the additionality and substitution problem comes into issue is the question of the so-called local cost funds and what the dollars that are turned over to defray local costs are ultimately used for. In the present arrangement the U.S. procurement restriction is applied in two ways: The project needs which must be imported are directly procured from the United States; the project needs which involve local currency expenditures in the borrowing country are financed with dollars in the first instance by using dollars to buy local currency from the central bank. The central bank is then required to use the dollars under the special letter of credit procedure, to pay for goods and services purchased in the United States. The question which has been of concern to me and which is of concern, I think, to this committee is whether the use of those letters of credit which have been derived and thrown off by expenditure for local costs are for substituted goods which are commercial exports rather than amounting to additional purchases from the United States.

A year ago, in Mexico City, at the Bank's annual meeting and at a private session with the Governors and the alternate Governors, I said as follows:

However, it is also essential, in making U.S. official expenditures abroad, that we demonstrate that our commercial trade surplus—which is a plus to our balance of payments—is not eroded when we contribute our goods and services through aid. The United States simply cannot afford to lose any commercial sales as a result of its aid efforts. Our effort must focus on gaining export sales, building up our trade surplus. And aid must of course for the foreseeable future take the form of U.S. goods and services which we can afford, rather than financial transfers which we cannot afford, except in a very minimum way. It is more than just a question of tied aid. When we go before our Congress to ask for continued support for the Bank and the Alliance, the question of whether or not our aid programs are substituting for our commercial exports will be crucial.

The problem takes on concrete meaning in another way. For example, I would ask you to strive to maximize your own local cost contributions to your development, saving the use of Alliance funds, to the maximum extent possible, for foreign exchange use—

Meaning purchases in this country—

by cutting out lower priority expenditures in your own budgets and assuming responsibility for a larger proportion of your local cost financing needs, you will be helping the Alliance two ways. First, you will be accelerating your performance under the basic Alliance prescription of development through self-help. And, second, in helping us to furnish more economic assistance to you in the form of goods and services instead of in financial resources, you will be serving your own best interests in insuring that we can obtain the needed support in our Congress and among U.S. citizens generally to continue at the high level we all desire the development assistance so urgently needed in Latin America.

Now, in response to that, as I observed before the committee last week, the Bank management and Executive Directors have submitted a report to the Governors of the Bank. This is a report of the entire membership of the Board of Executive Directors on the proposed

increase of resources of the Bank, which is the matter before this committee.

I would like to read an excerpt from that report. This appears on page 28 of annex C of the NAC document which was submitted to the members of the committee:

Many activities of the fund require a substantial amount of local currency expenditure. However, in relation to the financing of local costs with dollars, recognition must be given to the problem of the balance of payments of the United States, and the Bank will attempt to hold such financing to an appropriate minimum. The Bank is also striving to improve the present procedures whereby such local cost financing is carried out with the least effect on the U.S. balance of payments. In the light of these problems, which should be regarded as basically transitory in nature, the Bank and its members fully appreciate the difficulties inherent in U.S. responsibilities in the free world. Accordingly, the Bank proposes to cooperate in the greatest possible degree with the United States in meeting these difficulties by suitable measures, which obviously would be subject to review as conditions changed.

The percentage of dollar financing for local costs will be established in accordance with the nature and priority of the projects but in such a manner that, on the average, this percentage, except in relation to education and agriculture, will not exceed the level which prevailed in 1966.

Furthermore, the contributions of the four Latin American members whose quotas in the fund are the largest will be available in part for financing local costs in addition to financing exports under Bank projects from these countries. The Board of Executive Directors, in consultation with these member countries and such others as may adhere to this system, shall determine the general rules for its implementation.

I believe this report and the action of the Bank management and Executive Directors was a forthcoming response to the appeal made in Mexico City and to the position that the U.S. Governor and the U.S. Executive Directors have taken. I believe it is eliciting the kind of multilateral cooperation in helping us deal with our balance-of-payments problem—which is really also their balance-of-payments problem—which represents the very best essence of what the Alliance for Progress is all about.

I think it has brought recognition in these countries that did not exist before to the fact that we have a balance-of-payments problem and that our balance-of-payments problem, as I said at Pebble Beach, is their balance-of-payments problem.

I think, given this forthcoming spirit and attitude and acts of cooperation, that it is not incumbent upon me—indeed, it would be contrary to the best interests of the United States and of the Alliance for Progress—to ask for a more restrictive amendment in law at this time.

The CHAIRMAN. Mr. Brock, would you like to proceed for an additional 5 minutes?

Mr. BROCK. If nobody has any questions, I would be delighted to.

The CHAIRMAN. Without objection, go ahead, Mr. Brock, and then Mr. Johnson will be recognized.

Mr. BROCK. I could not agree more with what you said, Mr. Secretary, in remarks at Mexico City. I am delighted.

I do not think anybody wants to hamper the operation of this Bank with restrictive amendments. We do believe we might strengthen both your hand and operation of the Bank by some amendment which would endorse the action that you have suggested to the member countries, that is, greater participation locally and the local low costs. We do

think we might increase the opportunity for trade among the member countries with an amendment which opened the door for them to trade in this particular area.

Secretary FOWLER. Mr. Brock, I commented last week before the subcommittee on similar questions that were raised. In order to avoid confusion, I will quote from the previous statement:

Given the spirit and the attitude of cooperation manifested the Bank management and by other countries—which has been expressed in various ways—I do not believe it is wise to include this as a matter of law in this authorization act. This could be undesirable for various reasons and it might really prove offensive or counterproductive.

I think you can accomplish more by including whatever expressions you would have in the language of your report. I would even go so far as to suggest that you might ask us in the report to give you an annual report on performance—what has been accomplished and what has been undertaken in order to achieve this objective. I am reluctant to see it become a part of the law, because then I do not know what kind of legal and legislative policy reverberations this would have in the actions of other congresses and parliaments and of other countries. As long as the Bank is trying to follow, as it is, a cooperative course of conduct, I do not really see the necessity for including it in the law.

I do not believe I can add anything more to that at this time. I welcome your support. I welcome any expressions in your report that indicate that this is not just the U.S. Governor talking but that it is also the cognizant committee of the House that is concerned with this problem. I believe that will really accomplish more than an attempt by law to achieve the committee's objectives.

Mr. BROCK. How closely can you tie down the amount of leakage in a given country for a given project?

Secretary FOWLER. On local costs?

Mr. BROCK. The amount financed by the Bank would lead to substitution of purchase of goods.

Secretary FOWLER. First, let us take a given project, an irrigation project, to develop agricultural land. The equipment for that is purchased in the United States, as it must be in accordance with the tying arrangement.

I think that is additional. I do not believe that project would ever have been built if it had not been for the loan, and, therefore, the purchase of irrigation equipment from the United States is additional and not a substitution for a U.S. export that otherwise would have been achieved—simply because the project would not have come about had it not been for the loan.

Mr. BROCK. Is it possible to really pin these figures down, though?

Secretary FOWLER. I just answered your question with regard to the part of the loans that is used to purchase directly equipment that goes into the project. That project would not have come into existence and that sale would not have been made by the United States if it had not been for that loan. That is the assumption that I am working on. If you want to challenge that assumption, I cannot argue with it.

Mr. BROCK. I am talking about the rest of it.

Secretary FOWLER. On the local costs, there are various ways in which we try to assure that the letter of credit that goes from the Central Bank to someone in that particular country is used for goods and services from the United States which otherwise would not have purchased. This is admittedly a difficult task. There is no easy way to achieve it. If it were, there would not be all this talk about it. The

problem of assuring additionality involves a number of things, but in my judgment it involves most of all the cooperation and forthcoming desire of people in the country concerned to achieve that objective.

For example, one concerns oneself with whether or not there are in the law, the regulations, and the practices of import control authorities—if there be such authorities—incentives to procure from the United States or of obstacles that might inhibit purchases from the United States which should be removed. You try to maximize additionality by specifying that the letters of credit would be used for certain types of commodities in which the United States does not have an established market position, or you might require that they might not be used for commodities in which the United States does have a well established position. You try to maximize additionality through the program design, through seeing that the loans are made for projects that on balance would tend to add to our export possibilities by follow-on business and things of that sort.

Mr. BROCK. I think you made a crucial point here, that we are dependent on the attitude of the member nations who are receiving the loans.

They are the ones who are really going to put up or shut up.

Secretary FOWLER. That is right.

Mr. BROCK. They are the ones who come to us by the letter of the law or spirit of the law as they see it. That is what bothered me about the conference at Punta del Este. They liberally read the United States out.

Secretary FOWLER. I just read you the quotation taken from the report, the unanimous report, of the Executive Directors of this Bank, and I think that fairly reflects the attitude that we have insofar as this is concerned with the Bank's projects.

Mr. BROCK. The Presidents, respectively, did not seem to share that attitude.

Secretary FOWLER. I do not think that is a fair appraisal of Punta del Este. I think that, may be with the exception of one members of the group—there is always one member of the group—

Mr. BROCK. He got the headlines over here.

Secretary FOWLER. He expressed a different point of view.

The CHAIRMAN. Thank you.

Mr. Multer?

Mr. MULTER. It is always a delight to have Secretary Fowler with us, if for no other reason than that his forthrightness and his exactitude is always so helpful. He gives us the answers exactly as he sees them.

I might also comment that it is unfortunate that it is the dissident who always gets the headlines in our American press.

I think it was only Ecuador that dissented and seemed to put the President, our President, in a bad light when everybody else went along with him. Am I not right?

Secretary FOWLER. That is my impression.

Mr. MULTER. I would hope that we do not have to write any restrictions into this bill, such as Mr. Brock has suggested. Not only because the experience thus far has been good, but more important, I think through December 31, 1966, out of a total of \$267.3 million that was spent in the United States on goods either directly or through letters



of credit, \$255.3 million, approximately 95 percent—\$255.3 million were spent in the United States. Are those not the facts?

Secretary FOWLER. That is correct.

Mr. MULTER. In addition, if we pass this bill, all we will have done is to authorize the money. This money must thereafter be appropriated. If the bill passes, only \$300 million can be appropriated this year, \$300 million can be appropriated next year, and the same amount the year after. Because of the reporting that is required, we can always write a limitation into the appropriation act if our experience should be bad. I would hope that we do not write any restrictions into this bill, not only because it would be a slap in the face to these other countries, but it would tie the hands of the Bank unnecessarily. Am I right on that, sir?

Secretary FOWLER. That is my position, Congressman Multer.

Mr. MULTER. In passing, I would like to reemphasize the fact that even though there was considerable doubt raised in the committees of Congress and on the floor as to whether self-help would develop in these countries, I think our experience has shown there has been tremendous progress made by the Latin American countries. It is best evidenced by the fact that originally the U.S. contribution to this Bank was 11 times that of all the Latin American countries.

In 1965, our contribution was only five times that of all of the Latin American countries. If we pass this, our contribution drops to a mere three times that of all Latin American countries.

Secretary FOWLER. That is correct.

Mr. MULTER. Thank you.

The CHAIRMAN. Mr. Widnall?

Mr. WIDNALL. Thank you, Mr. Chairman.

Mr. Secretary, I am very pleased you came back again to speak to the full committee and reiterate what you had said to the subcommittee before, but I still feel that what you have said reinforced my own arguments for requiring the recipients of our soft loans to meet the local costs for the social progress projects. If we restrict \$900 million to goods or professional technical services from the member nations, we will multiply many times the total investment generated by IDB; is that not so?

Secretary FOWLER. I do not think it is so, because I do not think you would get the investment in the projects that you are counting on.

Let me just comment on one more thing, now that we have pinned this down to your concern. A proposal to limit the use of U.S. FSO contributions to goods and professional technical services, which is the implication of Mr. Brock's question and your question, would inevitably imply severe reduction in local cost financing. The services that are normally financed by these bank loans for local costs are typically not professional and technical services. The great bulk of the local costs typically represents the local labor that is used in the construction of water and sewage systems, roads, housing, classrooms for educational purposes, and similar simple local construction activities.

In addition, in such programs as agricultural credit, on which there has been great emphasis laid in hearings before this committee, and in other places, the identifiable costs involved in the program are in

the first instance generalized credits which could not be directly attributed to goods and specified services.

Now, while there is an element of local materials in such projects, the Bank's loans finance the import of the more expensive goods, such as pipes, construction equipment, scientific equipment, and so forth. Therefore, a proposal to cut off use of these funds for local costs would hit particularly hard at some of the sectors that we are trying to stimulate—by encouraging governments to provide additional help to the rural regions and rural development, and to increase the allocation of their resources to educational facilities—and would also affect very adversely projects of a social nature; such as health and basic infrastructure, such as roads. Given the savings capacities of most of the Latin American countries at this time, I do not believe these projects being built and being carried forward would go forward under the Inter-American Development Bank program without this outside help for local costs.

It is appropriate, I think, in connection with the Inter-American Development Bank and the Alliance for Progress, to stimulate domestic savings, to improve the tax systems, and encourage more efficient tax administration. Commissioner Cohen and a group from the Internal Revenue Service has been meeting for the last 10 days in Panama with a newly organized group of international and American tax administrators. We must lay emphasis on that phase, and try to reduce outside aid for local costs to the minimum necessary—as we propose to do and as the Executive Board has committed itself to do. But to practically eliminate outside help for local costs would not achieve the result you want to achieve. I think it would simply limit and cut sharply into the economic and social development that the Bank's program is designed to promote.

Mr. WIDNALL. Has not the World Bank been doing this for years and has been very successful in its operation?

Secretary FOWLER. I think that to the degree the World Bank's operation has been moving from infrastructure over to economic and social development projects—education, agriculture, and so on—my impression is that the answer is "No." But I will check on that and give you a more definitive answer. The World Bank has been financing local costs. I can't compare figures on the degree to which local costs enter into their projects, but I know they are financing local costs. They find it necessary to do so.

Mr. WIDNALL. The Export-Import Bank—

Secretary FOWLER. Does not.

Mr. WIDNALL. They do not.

Secretary FOWLER. They do not. The kind of projects that the Export-Import Bank finances—I do not want to go into a long category of them—do not include to any substantial degree the kind of projects the Inter-American Development Bank is making possible. One of the real purposes of the Inter-American Development Bank was to combine the multilateral regional concept along with making loans and credit available for the accomplishment of objectives that were not otherwise being achieved. The thing that you must compare the Inter-American Development Bank with is our own bilateral AID program, and really what we are doing here is pursuing through a multilateral context the kind of a development loan program in Latin

America that is being carried on through our AID program on a bilateral basis.

The CHAIRMAN. Just a moment, Mr. Secretary.

The gentleman's time has expired.

Without objection, you may be allowed to proceed an additional 5 minutes.

Mr. WIDNALL. Thank you, Mr. Chairman.

I would like to commend those who are in charge of the effort to encourage tax collection in the Central American countries, and I notice there has been some marked progress in Argentina.

Secretary FOWLER. A number of other countries, Panama.

Mr. WIDNALL. And this is undoubtedly needed. What bothers me, when you are talking about things not being done if we tie it down too much, the local services will have to be paid for within the country by that country. It seems to me that what you are really saying at a time when there is still the flight of major capital out of those countries—from the citizenry there, that those countries are going to say, "We refuse to go along unless you put up practically everything in connection with the project."

Secretary FOWLER. No, they are not saying that at all.

They are saying—and I will not bother to reread the report again. They said:

We see this problem; we are trying to reduce to a minimum the percentage of local costs; whereas, a few years ago, the percentage of local costs used to be in excess of 50 percent, 60 and 70 percent, we are now trying to hold them to a minimum, and that minimum, we understand, would be in the neighborhood of 35 percent except for agriculture and education. We hope to hold those down to around 50.

They are seeing the problem, I think, very much.

The Bank management and the Executive Directors and many enlightened people in the other countries see the problem in the very same way you do. I believe the progress is to be made in this direction, rather than by saying "we are not going to allow any of our AID funds, which is the bilateral program, or any of our multilateral allotments to the Inter-American Development Bank for local costs, because this is something you ought to be doing yourselves."

Mr. WIDNALL. What Mr. Brock has been talking about and what I have been getting at is the attempt to stop leakage which you will never stop completely but, we feel, some of that could be prevented by a suitable amendment.

Now, Mr. Multer just read into the record some figures showing some \$267 million actually in projects and \$255 million affecting purchases in the United States, as I understand it.

Mr. MULTER. \$267.3 million was the overall amount through December 31, 1966. Of this, \$255.3 million was spent or covered by letters of credit in the United States.

Mr. WIDNALL. I would like to question this, Mr. Secretary.

To what extent was substitution permitted in the expenditure of that \$255 million?

This is leakage we are trying to get at.

Secretary FOWLER. That is right, and it is part of the leakage I am trying to get at. It is part of the leakage the Bank Executive Directors have concerned themselves with, in the statement I read from. I can't

tell you how much that is. I do not have any precise figures on that, and all I can say is: I recognize, and I have accepted from the very beginning, Mr. Widnall, that the problem is a real problem; that is, the problem of substitution versus additionality, where the local cost aid is in the form of dollars. I am trying to work on that I am trying to work on it through the best way I know; namely, through the cooperative help of the countries concerned through the Bank's organization. I do not think you can eliminate it by edict of law unless you want to junk the program.

MR. WIDNALL. Mr. Secretary, I do not want to junk the program, but I intend to offer an amendment. I will read it to you—it is changed a bit from what we talked about before the subcommittee.

On page 2, line 9, strike "resolution." and insert "resolution, and subject to the further condition that during such period as the United States is engaged in armed hostilities in Vietnam, the funds authorized under this section be utilized only for the purchase in member countries of good and professional or technical services for the project for which loan assistance is provided under this section."

This is an attempt to tie down the purchase to member countries. We have been talking about a common market in South America, encouraging its establishment. My amendment does not tie it down to any one country. It means the United States would participate with other countries in these particular areas.

I still feel that we should make the effort at this time to tie it down to thinking very much about our balance-of-payments situation.

Secretary FOWLER. Mr. Widnall, I think I have said all I can say in describing what this proposal would do to limit projects and limit local costs financing. There is no need for me to repeat this. In my judgment, this is calling to a halt the use of FSO funds for economic development through the Inter-American Development Bank. I think it is rejecting the offers, the forthcoming commitments of the Bank and of the Executive Directors of the Bank in many of the countries to work together with us in dealing with this problem, and I think it would be a severe blow to all that you, sir, and the founders of the Bank, the members of both political parties, President Eisenhower and the others who instituted this program in 1959, have done. We have gone a long way to tighten it insofar as this is concerned. I yield to no one, including you, sir, in my determination to deal with the balance-of-payments problem. I simply believe that we can deal with this aspect of it more effectively by continuing the program and getting cooperation in dealing with the problem of additionality and substitution rather than cutting off the program and making it, in effect, another Export-Import Bank program.

MR. WIDNALL. Conditions have been terribly changed since 1959. We are deeply involved in a war in Vietnam where we were not in 1959, and we have a different situation right at the moment with respect to our balance-of-payments situation.

Thank you, Mr. Chairman, that is all.

THE CHAIRMAN. Anyone on this side desire recognition?

MR. GETTYS?

MR. GETTYS. May I ask one question?

Would the Secretary briefly give the committee the status of Ecuador in the light of its failure to sign the agreement at Punta del Este?

Secretary FOWLER. I think I would like to have an opportunity to submit an answer in writing. It is a question that I would need to consult with the State Department officials on.

Mr. GETTYS. I withdraw the question then.

The CHAIRMAN. Mr. Johnson?

Mr. JOHNSON. Mr. Secretary, I personally feel that the Alliance for Progress is a necessary part of our foreign policy and we must have it, but I want to ask you some budgetary questions, as, after all, I am an accountant and I like to know how things add up.

The other day, in another committee, I asked the Budget Director in arriving at the \$135 billion budget, whether in budgeting income available, he added into his estimates the 6 percent surtax on income tax to raise \$4.6 billion, and he said "Yes."

My second question was: "Did you add in a \$700 million prospective increase in postal rates?" And he said, "Yes."

I want to ask you this question: Is this \$50 million, which it will cost us this year for this increase, in the President's budget?

Have you budgeted it yet? Do you know?

Secretary FOWLER. It will require a budget amendment to assure the availability of funds, but since the payment on this authorization will be effected by the letter of credit procedure, we advance the funds when they are, in fact, needed. We do not expect that this will be drawn upon during fiscal 1968. While we will have to have the appropriation, which is the NOA—the new obligational authority—that appropriation will not result in an increase in the budgetary funds furnished in fiscal 1968 which is the \$135 billion that you referred to.

Mr. JOHNSON. I understood that this money would be drawn upon, as it were, in fiscal 1968, in December 1967.

Secretary FOWLER. It is available as a basis for the Bank to make commitments. But the Bank does not call on us to provide the funds until the time for their release and their turnover. So, through this letter-of-credit procedure, there would be no expenditures that we expect to be called upon to make by the Bank, and there would be no effect on the \$135 billion figure.

Mr. JOHNSON. But the Appropriations Committee would be asked in fiscal 1968 to increase the appropriation to \$300 million from \$250 million?

Secretary FOWLER. That is right.

Mr. JOHNSON. So, in effect, it would be a new appropriation of \$50 million.

Secretary FOWLER. A new NOA item but not an expenditure item in fiscal 1968.

At the first meeting of our newly organized Budget Commission that was announced in the President's budget, one of the things we discussed was the different interpretations to the budget that naturally existed in people's minds. When you say "the budget," you mean one thing, and when somebody else says "budget," they mean something else. There are the administrative budget expenditures in a given fiscal year; there is another budget that constitutes new obligational authority that Congress creates, out of which future expenditures would be made—some in this year and some in later years. So, the \$300 million for the IDB is a new element of the NOA, the new obligational authority. It is not a new budgetary expenditure in this fiscal year.

Mr. JOHNSON. The reason I am concerned is, as you know, the chairman of the Ways and Means Committee, and the minority chairman of the Ways and Means Committee have both said that they did not think they used the words "there is not a ghost of a show of the income tax passing, at least in the first session of the 90th Congress."

I wonder if, in view of that, as long as the Budget Bureau says that the income tax is added in with the prospective revenues, whether we would be justified in going for this extra \$50 million?

Secretary FOWLER. So we do not have any misunderstanding, the authorization and appropriation would be for the full \$300 million, which includes the \$50 million. I will say it again: By reason of this letter-of-credit procedure, it will not result in an increased expenditure which I, as the Secretary of the Treasury, will have to raise funds to meet. It will result in an authorization and a new appropriation on which the Bank can base its future commitments.

Mr. JOHNSON. My time has expired.

The CHAIRMAN. Mr. Gonzalez?

Mr. GONZALEZ. Thank you, Mr. Chairman.

Mr. Secretary, I compliment you and the staff, as well as all of those who represent us on the Bank. I sat on the subcommittee, and we have heard testimony on some of the questions that were touched upon by some of the minority members who have answered their intention to offer restrictive amendments—we had a variety of witnesses. I think Chairman Reuss did one of the most superb jobs I have ever seen done on the committee, and he had a variety of witnesses all the way from people like the priest, Father McLellan, certainly grassroots, to two representatives of private power companies of the United States.

They all agreed that this type of restriction would be unwise. In fact, everyone was unanimous in giving the 90-percent figure as being the amount of investment by the Bank that returned to the United States through purchases and services. This was 90 percent of the Bank's investment; not 90 percent of the U.S. investment.

That certainly, in line with that, would be most inadvisable, to have restrictive language that would be rigid and inflexible.

In fact, I think, if Fidel Castro and the critics were to write an amendment, that would be the kind of amendment they would offer. It would fall right in line with the very criticisms that have been made of the U.S. intention. I hope the committee will see through this, to legislate wisely.

Mr. WIDNALL. Will the gentleman yield?

Mr. GONZALEZ. Certainly.

Mr. WIDNALL. I would like to call the attention of the gentleman to the fact that this amendment differs from the ones that were under discussion when Father McLellan and the other witnesses were here, and I am not speaking in behalf of Che Guevara in South America.

Mr. GONZALEZ. I have reference to the restrictive amendments.

The CHAIRMAN. Mr. Stanton?

Mr. STANTON. Mr. Secretary, many of the members of the committee are quite concerned over the fact that, realizing our commitments we have in Vietnam in dollars and cents, the demand upon the budget at the present time, we want to look at the overall requests and get your views in general as it applies specifically to this particular bill in regard to the asking of an increase at this particular time. I wonder

if you could, for the benefit of the committee, answer a couple of questions that are in my mind?

Will we, shortly or in the near future, be asked for an increase in the amount we now contribute to the International Development Association?

Secretary FOWLER. That depends upon the willingness of other countries to increase their allotments to the International Development Association and the willingness of the Bank management and other countries to accept certain proposals which we have made which are designed to deal with our balance-of-payments problem.

Given the willingness of the other countries to increase their allotments, given a willingness of the Bank management and these countries to go along with the balance-of-payments conditions that we have proposed, you would be requested to increase the allotment to the International Development Association.

Mr. STANTON. Then, the answer would be, subject to the agreements of the other countries, the answer would be probably "Yes"?

Secretary FOWLER. That is right.

Mr. STANTON. How about the Asian world bank?

Secretary FOWLER. Asian Development Bank?

Mr. STANTON. Yes.

Secretary FOWLER. I understand that there will be no request for additional authorization for direct provision to the Asian Development Bank as such; but in all probability there will be requests for U.S. authorization to participate in certain special funds which would be administered by the Asian Development Bank.

I am not familiar with that in detail.

Mr. Eugene Black who has been a special adviser to the President, and Under Secretary Barr have been working on that aspect of the problem.

Mr. STANTON. The answer then would probably be "Yes?"

Secretary FOWLER. I think that it would be, relatively, in minor amounts; although I am not familiar with the program.

Mr. STANTON. How about the African Development Bank?

Secretary FOWLER. I have no knowledge what the plans are on that score as yet.

Mr. STANTON. I appreciate your candid answers, Mr. Secretary.

We are more or less committed to the increases contained in this request. It is of deep concern to me that we are starting this period by increasing programs at this particular time. I say it regrettably, because I am sure all of the members of the minority agree that the Bank, especially this one, has been an outstanding one and we want to see it continued.

Thank you very much.

Secretary FOWLER. Could I make one comment, Mr. Chairman?

I do not want my position on this to be at all misunderstood. I think that the increase in the commitments of the United States to both this organization and the International Development Association is extremely desirable at this time in the overall national interests, as I see them, provided we can get the other countries to participate—speaking now particularly of the International Development Association, and of the Asian Development Bank. These multilateral institutions, in my judgment, on the formulas that have developed and are cur-

rently being developed, are the most promising avenue for increasing the burden sharing in dealing with the problems of the less-developed countries as distinct from the bilateral aid programs.

Now, this is not to say that we do not need the bilateral aid programs. I am not saying that. The more we can beef up a system whereby we can contribute 40 percent of the total rather than a system of bilateral aid in which we contribute, let us say, 60 percent of the total, that is a better deal. You will get more resources transferred to these less-developed countries, which they sorely need, and you will get a fairer and more equitable degree of burden sharing through these multilateral institutions than we would if we limited our activities to direct bilateral aid. This is the reason why the Presidents of both parties, and Congresses reflecting the points of view of both parties, have consistently supported the principle of development of these multilateral institutions.

Mr. STANTON. I fully agree with you in principle.

Secretary FOWLER. Agree with me in fact now, not just in principle.

Mr. STANTON. What we were talking about originally was proposed on a 2-to-1 basis.

Secretary FOWLER. It was originally 11 to 1, and we got it down to 3 to 1, and that is progress. There was the Social Progress Trust Fund, so in the first years of the Bank's operation the ratio was 11 to 1. The 3 years which we are just now completing had a ratio of 5 to 1, and now we are proposing that this be reduced to 3 to 1, and the other countries are agreeable.

Mr. STANTON. It goes back to what Mr. Widnall said before that the conditions are different than they were in 1961.

Secretary FOWLER. The problems in Latin America are just as acute and critical today as they were in 1959.

Mr. STANTON. That is right.

Secretary FOWLER. And the importance of continuing that progress, and not allowing it to be arrested, is very vital.

Mr. MOORHEAD. Are we going to vote on this bill this morning?

The CHAIRMAN. Depends on how many Members—Mr. Rees wanted to be heard.

Mr. WIDNALL. Mr. Chairman, I think it would be very unwise to attempt to cut this off at this time. There are several amendments that are going to be offered. I think there should be full opportunity to discuss those amendments. There is no urgency to get this out today.

The CHAIRMAN. I wonder if we meet tomorrow morning at 10, if we should not recognize first the Members who were not on the subcommittee, because the other Members on the subcommittee had an opportunity to interrogate the Secretary and all of the other witnesses, and I have a feeling we should give preference to those who were not on the subcommittee first.

Is there any objection to that?

Mr. REUSS. Mr. Chairman. I am anxious that the committee proceed and also I would hope we would not have to keep the Secretary unduly long. Cannot those nonmembers of the International Finance Subcommittee who have not had a chance to examine Secretary Fowler do so forthwith so we can conclude that and allow the Secretary to attend to his other urgent business?



The CHAIRMAN. Who would like to ask questions?

All right, Mr. Rees.

Mr. REES. Just two short questions.

Mr. Secretary, what would be the psychological effect to the Inter-American Development Bank and to FSO and to Latin America if we passed this type of restrictive amendment?

Secretary FOWLER. Very damaging.

Mr. REES. Do you think it could actually injure the whole spirit of the Bank and of the FSO?

Secretary FOWLER. I am afraid I will have to answer that question in the affirmative. I do not want to give offense, but I can't give you any other honest answer but that.

I have tried, and we have tried in our negotiations and discussions about this local cost problem, to whittle it down to a target percentage that would push it just as far as we could push it without causing a disruption in the cooperative attitudes that we were trying to elicit. I did not participate in these day-to-day discussions and negotiations; but it is my understanding that we have gone about as far as we can without further pressure at this time being disruptive.

Mr. REES. Would you say that agriculture, roads, and communications, both inside the country and between other Latin American countries, and education, are the three major problems in Latin America?

Secretary FOWLER. I would say so.

Mr. REES. And if this amendment of Mr. Widnall's were approved, would it hit these three programs first before it hit the other programs in Latin America?

Secretary FOWLER. I think that is right. I think the other needs in Latin America for loans, for the so-called infrastructure, harbors, power dams, things of that sort, the World Bank-type and the Eximbank-type of loans can go a long way to meet those problems. But the problems that are being met by this Bank are not going to be met by those institutions or by the Eximbank-type of loan.

Mr. REES. Thank you.

The CHAIRMAN. Mr. Blackburn, 2 minutes.

Mr. Brown, 3 minutes.

Mr. BLACKBURN. I want to say, on my behalf, I certainly enjoyed your presentation.

Your presentation has led to me to the conclusion that it might well be a mistake to put restrictive language into the appropriation.

I think that you have convinced me pretty well it would create a "Big Brother" attitude or atmosphere that we are trying to avoid in our dealings with these countries.

The reaction I still have, however, is concern about our national budgetary problem. We are not going to take in as much money this year as we are going to spend.

You think that if we want to reflect our concern about the budget, it would be better to do so by cutting the amount of money we are obligating rather than place the restrictive language in the act?

Secretary FOWLER. Yes.

Mr. BLACKBURN. That would be the most effective way, actually, to help the budgetary problem?

Secretary FOWLER. I would not say that you ought to cut the amount, but if you have to do something, I would say that it would be the

least damaging. I think both would be damaging to the ongoing operations of the Bank. It would be a very severe setback. I can't be more abundantly frank with you than to say that this is a wonderful investment for the United States.

When I think what might happen down there absent this kind of activity and what it might involve in the way of cost to the United States—

Mr. BLACKBURN. I cannot quarrel with the purposes of the Bank at all. It is a very desirable end result. You understand that we have to go back every 2 years to justify this to the taxpayers, and they are the people who are looking over my shoulder.

The CHAIRMAN. Mr. Brown?

Mr. BROWN. Mr. Secretary, the discussion of local costs has prompted another question to me, since I am not as familiar as other members with the operation of the Bank.

Is the primary purpose of the Bank the making of loans for capital improvements, irrigation projects, hospitals, and so forth?

Secretary FOWLER. The texture of the Bank's loans are, I would say, a combination of economic and social development: Agricultural projects, irrigation projects, agricultural lending operations designed to assist small farmers and small landholders, education projects, schools, universities—a good deal of local highway construction—this type of thing.

Mr. BROWN. That being the case, is it intended to be job producing, that these funds are to be given in loans, so as to be job producing?

Secretary FOWLER. I think that is an incidental effect. But I think that the project for which the loan is made is the project that is selected and approved because it fits into an overall country development program recommended by the so-called CIAP—which is a body in the Alliance for Progress which reviews what each country is attempting to do. Perhaps, the basic and controlling test is whether or not the application is for a loan that is a part of and in keeping with the country development program that has general approval.

Mr. BROWN. Let me give you an example: I suppose that on irrigation projects you could either buy a bulldozer from the United States or get a thousand men to dig by hand. How does the Bank control the application of funds to what is basically a social benefit, the creating of jobs, or to the buying of American-made goods in the way of capital equipment which would not involve local costs?

Secretary FOWLER. I think the only fair answer I could give you is that both these considerations are, to some extent, taken into account; therefore, if efforts made in the introduction of new species of machinery or new approaches would achieve much more efficient results, then it is encouraged that that be done. There are also instances where a project is being built in an area, let's say, where there are a large number of Indians that need some support and the project happens to be located in that area, and the local labor is available, and you might have a conflicting point of view as to what is to be done.

Mr. BROWN. In that instance, then, conceivably the social ramification, the job-producing aspect of use of the money, could outweigh the interest in making sure that American-made goods, capital equipment, et cetera, are going into a country, thereby helping our balance of payments?

Secretary FOWLER. It might. That is what we are trying to get the cooperation and help on from people, both on the presentation and administration of this program.

The CHAIRMAN. Mr. Williams?

Mr. WILLIAMS. I only had one question which Mr. Fowler can answer for the record.

We are talking about the restrictive amendment offered by Mr. Widnall. The amendment, as I understand it, simply says that this money will be used for the purchase of goods and professional services from member countries to the greatest possible extent. I just cannot understand how this is going to get anybody upset or how this is going to cut down on any number of projects, because apparently this is precisely what you are trying to do now.

Secretary FOWLER. Let me give you these figures, and maybe they will be revealing.

In connection with all loans in the Fund for Special Operations that have been made up to date, through December 31, 1966, \$530 million total loans, about \$248 million have been used, or roughly 46.8 percent, for local costs.

Now, what you are really saying—and the reason that I am making dire predictions—is that kind of a program which has resulted in a 46.8 percent of local costs—which I have told you here we are trying to pare down with the cooperation of these people to the 35-percent level—that is not enough. You have got to design a program to carry out the functions of this Bank that involves no local costs, except for technical and professional services—architects and presumably engineers, and so on.

I have said to you that most of the local cost is in the work that has to be done, and you have to make an appraisal of the type and character of the work that has been done—the great bulk of these costs typically represent local labor in the construction of water and sewage systems, roads, classrooms, school buildings, et cetera. I can't help but say to you, which is my honest conviction, that such an amendment would drastically change the whole character and direction and skill of the program that is being carried on.

Mr. WILLIAMS. Are the countries in which these projects are located member countries of this Bank?

Secretary FOWLER. Yes. But this amendment says that you will use the funds only for the purchase in member countries of goods and professional or technical services. Ordinary labor—the carpenter or bricklayer, whatnot—he is out. You can't use the money for that purpose.

Mr. WILLIAMS. I do not read the amendment that way.

The CHAIRMAN. Without objection, we will excuse the Secretary with the thanks of the committee, and we will meet tomorrow morning at 10 o'clock here in this room.

(Whereupon, at 12:05 p.m., the committee was recessed, to reconvene at 10 a.m., Wednesday, May 10, 1967.)

## APPENDIX

(The following document was submitted for inclusion in the record by Hon. Lincoln Gordon, Assistant Secretary of State for International Affairs:)

### EXAMPLES OF SELF-HELP IN LATIN AMERICA

The following materials are submitted as evidence of Latin American self-help under the Alliance for Progress. The first paper focuses specifically on the successful efforts of most governments of the region to increase government revenues as a key element in mobilizing domestic resources. The papers which follow deal with broader aspects of self-help in terms of reports from the country AID missions.

The description of the increases in government revenues, the first paper, is based on recent work within AID/Washington which puts the accounts of widely varying government structures on as comparable a basis as possible and expresses the revenue growth in "real" terms, eliminating the effects of inflation. The bulk of the materials, which follow, are based wholly on embassy and mission reports received this past winter in response to a special Washington request for concise statements of country progress. They reflect the situation at the time they were written and the fact that statistical and terminological comparability among countries is not considered in referring to progress within one country compared to its own past performance. The papers are therefore the relevant portions of country-by-country reports direct from the field, presented by category of self-help.

### LATIN AMERICAN INCREASE IN GOVERNMENT REVENUES

Latin American central government revenues, according to estimates consolidating all domestic sources of revenues, have risen by about 25 percent in real terms since the beginning of the Alliance. Most of the increase is concentrated in the last 3 years, 1963-66, which have seen a rise of some 22 percent.

This regional "weighted average" increase is the more remarkable considering the heavy weight of Argentina, whose revenues have actually declined since 1961 due to sporadic economic growth and political instability. Excluding Argentina, the consolidated revenues of the region have risen some 37 percent since 1961, while gross national product has risen 28 percent during the period. Therefore, while domestic revenues for the region including Argentina have remained at about 13½ percent of GNP (actually falling during the middle years), they have risen from 13.3 percent of GNP in 1961 for the region excluding Argentina to an estimated 14.2 percent in 1966.

Although it is necessary to include the extrabudgetary accounts (special funds and levies not channeled through the countries' main budgets) to approximate uniform coverage for all countries, they tend to mask the greater improvement in certain countries' main budgetary revenues. This is especially true in the case of Brazil, which also weighs heavily in the regional total. Brazil's budgetary revenues have risen over 50 percent in real terms since 1961, including a growth on the order of 15 percent in 1966, according to latest estimates. Even though extrabudgetary revenues have not kept pace and were actually cut significantly in 1966, the consolidated accounts still show about a 37-percent increase from 1961 to 1966, and appear to have held about even in 1966. This is due in part to declining revenues in the coffee fund related to crop reduction and to strong efforts to readjust government finances and concentrate on more economically sound sources of financing.

While it should be noted that estimates including the extrabudgetary revenues and those showing only main budget receipts are not fully compatible because of the timelag in reporting the extrabudgetary accounts and that such com-

parisons are not available for all countries, similar differences are also indicated for other major countries in the region. In Chile, for example, consolidated revenues have risen over 50 percent in real terms since 1961, with the bulk of the increase (a rise of some 43 percent) concentrated in the past 2 years. Budgetary fiscal receipts show an even larger increase, 65 percent since 1961 and 55 percent in 1964-66 alone. In Colombia likewise, the consolidated revenues show a 28-percent increase from 1961, while the principal national government accounts show a 41-percent rise.

Mexico and Venezuela, of course, show a continuing upward trend in total revenues. An examination of the constant-price estimates for the region, indeed, shows significant rises in all but a very few countries. Among these, besides Argentina, are Haiti (for which no reliable estimates are available) and Uruguay, which has always had a relatively high ratio of revenues to GNP and furthermore has been plagued in recent years by serious inflation. Even certain countries with fiscal deficit problems, such as the Dominican Republic and Peru, would appear to be making progress in building up the revenue side of their fiscal performance; their deficits have stemmed mainly from increases in expenditures. Although much remains to be done, these figures indicate that for most countries of the region tax reform and better management are beginning to show signs of progress in marshaling government resources to the Alliance effort.

## Latin American central government domestic revenues, 1961-68

[Estimates in constant prices; dollar amounts in millions]

Country	Consolidated revenues at 1965 prices						Percentages increases			
	1961	1962	1963	1964	1965	1966	1961-63	1963-66	1961-66	
Argentina.....	\$2,091.0	\$1,670.0	\$1,487.0	\$1,457.0	\$1,693.0	\$1,637.0	-39	+10	-22	
Bolivia.....	41.9	44.3	54.5	68.0	65.4	73.9	89	36	76	
Brazil.....	2,680.0	2,765.0	2,866.0	2,812.0	3,689.0	3,683.0	7	28	37	
Chile.....	608.0	608.0	642.0	644.0	794.0	920.0	9	48	51	
Colombia.....	441.0	425.0	433.0	425.0	442.0	557.0	-3	29	26	
Costa Rica.....	67.1	73.0	85.1	74.2	83.0	91.6	1	35	37	
Dominican Republic.....	147.9	164.5	181.1	194.0	120.3	163.4	22	-10	10	
Ecuador.....	171.3	178.9	196.5	222.6	222.9	229.1	16	15	34	
El Salvador.....	77.9	80.0	89.3	95.5	105.1	110.9	16	24	42	
Guatemala.....	89.6	88.6	91.2	102.4	118.8	123.0	2	35	37	
Haiti.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	
Honduras.....	45.0	44.9	48.1	53.3	66.1	67.9	7	41	51	
Mexico.....	1,082.0	1,134.0	1,273.0	1,419.0	1,646.0	1,699.0	21	29	56	
Nicaragua.....	41.5	44.0	50.9	57.7	66.1	70.9	26	39	71	
Panama.....	64.1	68.1	71.1	75.4	86.5	93.7	11	32	46	
Paraguay.....	32.0	35.0	34.2	35.8	45.9	44.1	7	35	44	
Peru.....	577.0	600.0	792.0	845.0	854.0	972.0	37	23	68	
Uruguay.....	258.0	231.0	227.0	233.0	211.0	197.0	-12	-13	-24	
Venezuela.....	1,447.0	1,441.0	1,595.0	1,613.0	1,614.0	1,728.0	8	11	19	
Totals and subtotals.....	9,930.0	9,816.0	10,199.0	10,422.0	11,923.0	12,394.0	2	22	25	
18 Latin American republics.....	8,821.0	8,383.0	8,845.0	8,966.0	10,439.0	10,464.0	8	33	45	
5 C.A.E.C. republics.....	7,899.0	8,146.0	8,682.0	8,966.0	10,130.0	10,747.0	11	24	37	
17 republics (excluding Argentina).....										

<sup>1</sup> Not available.

NOTE.—Based on AID reports consolidating budgetary and extrabudgetary accounts so as to obtain as uniform a basis for comparison as possible. Data for Peru and Ecuador include other levels of government. Mexico probably understated by excluding revenues transferred to the states. Colombia 1966 estimate based on supplemental budget-rising revenues to estimated 10.3 percent of GNP. Constant-price dollar figures have been estimated by applying to GNP in constant 1965 dollars the percentage relationship between revenues and GNP from current-price data. Thus, except for minor rounding differences, these revenues series are in effect deflated by the implicit GNP-price index and converted to dollars at official or effective 1965 exchange rates. Due to the numerous technical questions, such series, particularly regional totals, can be taken only as rough indicators of trends.

## RECENT COUNTRY PERFORMANCE, SELF-HELP AND REFORM IN SELECTED COUNTRIES

## AGRICULTURE

*Brazil*

The Government has increased its budgetary allocation to agriculture from 4.1 percent in 1965 to about 6.5 percent in 1967. Budgeted investment in agriculture increased almost 14 percent between 1966 and 1967, the amount in calendar year 1966 having been \$71.9 million and the calendar year 1967, \$81 million. Among the recent improvements have been the initiative of a minimum price support program, the removal of price control for most major crops at the consumer level, the lack of control in other commodities, primarily beef and milk, so that prices could increase, and the formalization of administrative arrangements and plans for a major coordinated attack on acute economic and social problems in the depressed sugar zone of the northeast. Expansion of agriculture credit, including assistance to cooperatives, has been evident. In 1966 the system had available the capital equivalent of \$517 million, with the amount expected to increase to about \$700 million in 1967. The number of agricultural loans has increased from 285,000 in 1961 to 1,140,000 in 1966, or about 30 percent of the total number of farmers. By 1970, about 60 percent should be reached with a total credit fund of over \$1.1 billion.

Under an agrarian reform law passed in 1964, a national cadastral survey has been completed as a basis for tax assessments and new rates have been assigned and collected. Some lands have been expropriated and are being distributed. Distribution of Government lands and lands obtained by voluntary sale included about 5,000 titles in 1966 with the figure for 1967 expected to be considerably higher.

*Costa Rica*

Progressive signs recently in the agriculture sector include the following: (1) The agricultural and livestock contribution to the gross domestic product in 1966 is estimated at \$226 million, a 17-percent increase over 1965 and almost twice as high as it was in 1960. (2) As a result of increased production, banana and sugar exports, two of the country's major foreign exchange earners, grew 11 percent and 82 percent respectively in 1966 over their 1965 figures. (3) Since the creation of the government's Institute of Lands and Colonies in 1962, more than 3,900 land titles have been issued and 16 colonies established.

*Chile*

Among the recent advances in the sector, the following can be cited: (1) Through the deliberate attempts of the government, terms of trade have improved, with returns to the farmer rising 32 percent in 1965, compared with a 26-percent rise in the cost of living index and a 37-percent rise in agricultural wholesale prices. For 1966, farmers' returns were expected to go up 25 to 26 percent against an increase of 17 percent in the cost of living index. (2) Agricultural input prices were reduced from 15 to 20 percent for major items in 1965, and further minor adjustments were made in 1966. (3) Government credit to agriculture in real terms expanded by 25.4 percent in 1965 and 53 percent in 1966 over the 1964 level, and improved credit terms have been established. (4) Campesino improvement programs through the Institute for Agricultural Development expanded to reach 50,000 families with credit, technical assistance, and promotional services during 1965; an estimated 80,000 families benefited in 1966 from such services. (5) New agrarian reform legislation, which is expected to receive congressional approval in 1967, will help to settle a planned 100,000 families in 6 years. Under previous legislation, 4,000 families in 1965 and 6,000 in 1966 were resettled. Up to 1965 only 5,000 had been resettled in a 36-year period.

*Ecuador*

*Agricultural Production and Reforms.*—Reorganization in the Ministry of Agriculture as well as the establishment of 14 centralized provincial offices has brought about better coordination of programs and an expansion of field services. The Ministry also began implementation of a crop diversification program and the conversion of marginal banana and coffee lands as well as special crop production programs which resulted in expansion of acreage and/or improvement of yield in priority crops. A field demonstration and training program in soil conservation was started in June 1966.

Under the agrarian reform program, approximately 20,000 rural farm families have received land titles; 12,000 titles are being processed. Another 266,000 hectares have been legalized.

With the expansion of agricultural credit projects for low-income farmers from one in 1965 to five in 1966 membership in credit unions rose to more than 1,800 while total loans outstanding were \$133,000. Preliminary organization was begun for seven additional projects. Other legalized credit unions increased from 146 in 1965 to 181 in 1966, while membership grew from 21,234 to 24,500. Savings increased from \$576,000 to \$962,600 in the same period. Membership loans outstanding more than doubled.

#### *El Salvador*

Significant steps forward in the agricultural sector in recent years have included record production in corn and rice in 1966, after years of stagnation in basic food crops; increased lending to small and medium farmers by agricultural credit institutions, the figure in 1965 having been \$6.5 million or 150 percent over the 1963 volume of \$2.5 million; creation in late 1966 of a fund for economic development with \$10 million in capital initially for lending to the private sector with priority given to agriculture and farm-linked industry; establishment last year of 18 new extension service field offices for a total of 50; in 1966 more than 5,000 demonstrations of the combined use of chemical fertilizers and improved seeds; completion in 1966 of 300 self-help houses for new land-owners resettled through the Institute of Rural Colonization, the agrarian reform agency.

#### *Guatemala*

Ministry of Agriculture programs have called for increasing agricultural production, especially in basic food crops; encouraging diversification from coffee and cotton into natural rubber, fresh food and vegetable production; improving marketing of basic grains and broadening agricultural and credit services throughout rural Guatemala.

An agrarian reform program through which 25,000 families have been resettled since it began in 1955 has taken a new direction recently with arrangements being made for the farmworkers on some 50 national farms to become land-owners. The latter program is expected ultimately to involve 50,000 people.

#### *Managua*

Indicative of progress in 1966 in the agricultural sector are the following: (1) The value of agricultural production has increased from \$152 million in 1960 to an estimated \$248 million in 1966. (2) Government expenditures for agriculture have increased from \$2 million in 1960 to \$15.4 million in 1966. (3) Lending for livestock and agriculture jumped from \$20.2 million in 1960 to \$74.6 million in 1966. (4) In order to promote crop diversification, the Central Bank required that local banks secure foreign financing for cotton, coffee, and cattle fattening; it also floated an \$80 million bond issue for diversification.

### ECONOMIC GROWTH

#### *Bolivia*

After years of relative stagnation, the Bolivian economy is developing at a brisk pace. The annual rate of growth of real domestic product has risen from about 2 percent for the period 1958-61 to nearly 6 percent for 1962-65. Per capita GNP, in real terms, has risen an estimated 32 percent since 1958, at an average annual rate of 4 percent. Three-quarters of this increase has taken place since 1962. The GOB program of financial and price stability was instrumental in the rise of Bolivia's foreign exchange reserves when mineral prices soared during 1965 and 1966. Bolivia's net foreign exchange position (the strongest in over a decade) increased from zero (1962) to \$36.1 million (1966).

Gross fixed investment has been steadily increasing from \$77 million (1962) to \$100 million (1965) to an estimated \$124 million (1966). There are encouraging signs that, due to political stability, domestic private investment is increasing substantially.

#### *Costa Rica*

In 1965, Costa Rica's GNP was \$593.4 million, an increase of 7.2 percent from 1964 and 17 percent higher than 1962. In 1966, GNP is expected to reach \$629 million, up 6 percent from 1965. In spite of a rapidly expanding population (3.8 percent annual growth rate), in 1965 per capita income rose 3 percent to \$395.



A 2 percent increase in per capita income is expected for 1966. Gross domestic investment was \$110.7 million in 1965 or 19 percent of GNP compared with a \$14.5 percent average during 1962 and 1963. In 1965, gross domestic investment was up 39 percent from the previous year when investments were postponed because of volcanic eruptions. Investment is expected to increase by 7 percent in 1966.

#### *Guatemala*

The high growth rate which has characterized the Guatemalan economy since 1963 continued into 1966. In 1965, GNP rose 7.7 percent over 1964 levels to \$1,410 million (1965 prices). By the end of 1966, it is expected to reach approximately \$1,500 million for a 6.5 percent gain. Per capital GNP since 1963 has grown 13 percent despite an annual population growth rate of approximately 3.2 percent. Gross investment for the 4-year period rose from \$130 million to \$210 million and now stands at 14 percent of GNP.

#### *Honduras*

The record for 1966 generally indicates an improvement over 1965 though not as dramatic as the 1964-65 experience. The Central Bank's estimate of Honduras' GNP for 1966 is \$528.5 million, an increase of 5.8 percent (in current prices) over 1965. This is a conservative estimate; the rate of GNP increase for 1966 may well be closer to 8 percent. In any case, the increase for 1966 is not expected to match, much less exceed, the 1965 revised growth rate of 9.6 percent. A generally improved economic atmosphere, a moderate increase in agricultural productivity (mainly in bananas), and an increased dynamism within the industrial sector, have been the principal causative factors for the continued economic expansion during 1966.

#### *Nicaragua*

Nicaraguan gross national product, stated in 1962 prices, increased from \$390 million in 1961 to \$550 million in 1965. Annual increase in GNP during years 1962-65 averaged 9 percent. Despite a 3 percent annual population growth rate, real per capita GNP has increased an average of about 6 percent annually since 1961, clearly exceeding the 2.5 percent Alliance target. Gross domestic investment, stated in constant prices, nearly doubled between 1961 and 1965.

#### *Peru*

Peru has experienced the most impressive economic growth of any Latin American country over the past 7 years due primarily to the extraordinary performance of its private sector which has been providing over three-fourths of gross investment and the foreign exchange earnings which are needed for sustained development. During the period 1959-65, GNP has increased an average of 6.5 percent and per capita GNP 3.9 percent—the highest percentage increases for the period in Latin America. November 1966 estimates indicate that the growth rate in 1966 will again exceed 6 percent.

This overall growth rate has been sparked by a high level of gross investment and a remarkable growth in exports. Peru's exports increased 19 percent per year in the period 1959-64 and 160 percent over the period 1955-65 which was again the highest percentage increase in Latin America. Exports leveled off on a high plateau in 1965 but are again increasing, being up 7 percent for the first 9 months of 1966. Per capita income in Peru's coastal areas has increased 28 percent since 1959. Peru's excellent economic growth, however, has been unbalanced and tremendous regional disparities continue. Since coming to office in mid-1963, President Belaunde has greatly expanded public sector investment (89 percent increase in investment in constant prices in 1965 over 1963) and necessary infrastructure operating expenses in an attempt to help low-income groups and decrease regional income disparities between the coast and the rest of Peru.

#### *Venezuela*

The Venezuelan economy continues to meet overall growth targets, with 1965 GNP (in 1965 constant prices) increasing by 5.1 percent over 1964 largely due to the strong performance of industry, construction, and agriculture which offset the decline in the rate of growth of the petroleum sector. The long-term growth trend is being maintained at a rate considerably higher than the estimated 3.5 percent annual demographic increase; the average annual GNP increase in 1965 constant prices has been 5.9 percent for the 4-year period 1962-65. Average annual GNP per capita increase for the period has been 2.3 percent.

## ECONOMIC INTEGRATION AND TRADE

*Brazil*

The Brazilian Government has developed an effective export promotion program including a realistic exchange rate policy, elimination of exchange restrictions and controls, expansion of export financing, and a sweeping simplification of export procedures. These measures have resulted in a substantial increase in the export of nontraditional commodities. In June 1964, the GOB negotiated the rescheduling of its large foreign debt and has greatly improved its balance of payments, accumulated foreign exchange reserves of over \$450 million, liquidated commercial arrears, and reestablished Brazil's international credit standing. On the import side, Brazil has recently taken some important steps that indicate a desire to shift from a very protectionist-oriented economy to a more internationally oriented one. Recognizing the need to increase competition, increase productivity, and lower costs in Brazilian industry, and expand the flow of resources from abroad, the Government has substantially lowered the cost of importing through a series of changes in tariffs, exchange surcharges, and administrative practices. Laws scheduled for implementation on March 1, 1967 should bring a sharp reduction in tariff levels and provide a broader basis for tariff exemption.

A new agency is being created to foster development of Brazil's great tourist potential, and various financial incentives have been established to promote private investment in hotels and other tourism facilities. Brazil is a member of LAFTA and Brazilian trade with this area has increased both in absolute terms and as a percentage of total Brazilian trade.

*Costa Rica*

In 1966, the Government of Costa Rica created the Office of Economic Integration within the Ministry of Industry to assist in accelerating economic integration and to resolve any trade conflicts between Costa Rica and the other Common Market countries which might hinder the integration process. Costa Rica exports to the CACM in 1965 reached \$18.2 million, an increase of 18 percent over 1964. In 1965, Costa Rica imported \$14.6 million from the CACM, surpassing 1964 imports by 76 percent. Costa Rica has maintained a favorable balance of trade within the CACM, especially in 1964 and 1965 when exports exceed imports by 48 and 20 percent respectively. In 1966, exports to the CACM may well top \$20 million and imports \$15 million.

*Nicaragua*

Nicaragua's participation in the Central American Common Market has contributed to a sharp increase in its total volume of trade with its neighbors. Exports climbed from \$1.8 million in 1961 to \$12.4 million in 1965 while imports rose from a level of \$2.9 million to \$21.4 million.

*Mexico*

Mexico's trade in 1966 with other LAFTA nations increased 36 percent over 1965 (January to June data), compared with about a 26 percent rise in 1965 over 1964. Mexico's overall trade also has increased. Through September 1966, exports were up 14.7 percent over the same period in 1965, while imports rose only 1.4 percent. The respective increases in the full year 1965 over 1964 were 8.6 percent for exports and 4.5 percent for imports. Thus, progress is being made in reducing the persistent trade gap.

While the trade gap has been bridged in considerable part by net gains in growing tourism and in border transactions, Mexico has at the same time made special efforts to increase foreign exchange earnings through enlarged and diversified exports. The efforts have included greater emphasis on trade missions and promotional trade conferences, enlargement and strengthening of domestic trade advisory bodies, and expansion of commercial contacts in Central America.

*Uruguay*

In January 1965, the HOU established a board for the promotion of nontraditional exports to encourage export sales and help offset the over-balance on agriculture for foreign exchange earnings.

Uruguay is a charter member of LAFTA, a major instrument to achieve wider markets and greater trade among member countries. Uruguay exports to the zone had risen from \$6 million in 1961 to \$15 million in 1965 and early estimates from 1966 are that such exports may approach \$25 million.

*Venezuela*

The protracted domestic debate about Venezuela joining the Latin American Free Trade Association ended on August 31, 1966, when the country formally deposited instruments of ratification in Montevideo. Venezuela has recently participated in the sixth period of negotiations for the national lists.

*Chile*

Chile is a member of LAFTA and has been encouraging more rapid progress toward an eventual common market. Import restrictions have been liberalized through the reduction of the foreign exchange waiting period (from 120 to 70 days legally, and de facto now about 60 days), by not implementing other import restrictions still legally in effect, and through the reduction of prior deposits, additional taxes and surcharges on a wide variety of capital equipment. Export promotion measures have been approved by the Congress including rebates of import duties and other taxes and credits for the production of selected export products.

## EDUCATION

*Bolivia*

(1) An Inter-Ministerial Commission on human resource planning was established during 1966 and is working with the AID-sponsored team from Ohio State University to develop a 15-year human resource-education plan for Bolivia; (2) educational expenditures are estimated to have totaled 25 percent of the central government expenditures in 1966 as compared to an estimated 16 percent in 1963; (3) the Ministry of Education in conjunction with USAID has instituted a curriculum revision program and associated teacher training programs to update the present curriculum established in 1942; (4) in 1966 a 1 percent tax on urban salaries was initiated to finance new urban school construction, an estimated \$500,000 was collected by the end of 1966; and (5) textbook distribution has totaled more than 1,000,000 since 1963, with the greatest thrust in the program having been in the last 2 years.

*Brazil*

(1) A 10-year development plan for education is being prepared. At the same time, the Government is sponsoring a program to develop the planning competency of educators, state secretaries, and federal staff for elementary, secondary, and higher education. (2) The Government continues to try to reduce illiteracy; a major demonstration effort is now underway in the northeast where there will hopefully be 1 million new literates by 1969. (3) Increased efforts by the Brazilians to increase educational opportunity have included the initiation of a new scholarship program at the secondary level for children of labor union members (more than 22,000 scholarships were provided in 1966) and the expansion of former programs. Also, enrollment in public secondary schools has increased. In 1956, 34 per cent of the total secondary school enrollment was in public secondary schools; in 1965, this proportion was 49 per cent. (4) Modernization in curriculum at the secondary level has continued, with more than 200 special vocational shops or classes having been developed in 1966 as compared to 100 in 1965 in schools which formerly were strictly academic. (5) The Government has launched a program designed to provide free textbooks for elementary and secondary school students and to provide textbooks at cost for students in higher education. A goal of 51 million books within a 3-year period has been set.

*Ecuador*

(1) The budget of the Ministry of Education rose from approximately \$15.5 million in 1960 to approximately \$25.5 million in 1966. (2) At the primary education level, 2,400 classrooms have been built in the last 5 years, for which local agencies or communities have paid 35 percent of total costs, extending education to about 100,000 more youngsters. About 75 percent of eligible children are currently enrolled in primary schools. (3) Secondary education enrollments have increased by 69 per cent in the last 5 years, and over 400 new classrooms have been built. In vocational secondary education, enrollments have been increased by 80 percent and graduates have increased by 150 percent in the last 5 years. (4) University enrollments over the last 5 years have shown a gain of about 4,000 students or a 66-percent rise. However, less than 3 percent of age-eligible youth currently are enrolled in university programs.

*Guatemala*

(1) More than 1,000 new teachers have been added to the staff of the Ministry of Education in the past 3 years, an additional 1,100 teachers were to have been hired in early 1967, principally to serve rural schools. (2) The Ministry has undertaken a special literacy program in the non-Spanish-speaking Guatemalan Indians in addition to its continuing adult literacy campaign which reaches 80,000 annually. (3) A school construction program which in the past received some support from AID is now completely financed by the Government. During the past 5 years approximately 3,000 new classrooms have been constructed. (4) The Government's annual budgetary support to the national university has grown from 2 to 2.5 percent of the national budget.

*Honduras*

(1) The Government has increased its budget for the Ministry of Education 116 percent since 1961. (2) The Planning Office, created in 1965, has produced a national education plan in cooperation with the National Planning Council. (3) Programs initiated by AID, primarily in rural primary school construction and in inservice training for teachers, have been taken over by the Government and expanded. (4) Enrollment in elementary schools increased by more than 47,000 students in 1966, surpassing the goal established earlier. (5) A 5-year program for the reform of higher education has been developed by the planning division of the National University. Portions of the program have been implemented already with the prospect that the rest of the plan will be approved and in operation before the end of calendar year 1967.

*Nicaragua*

(1) The Government budget for education grew from \$5.2 million in 1961 to \$12.5 million in 1966, slightly increasing its share of a rapidly growing total budget. (2) The number of normal school graduates increased from 146 in 1960 to 840 in 1966. (3) The annual increase in primary school enrollment has averaged about 10 percent. Also, the percentage of primary school-age children attending school has increased from 47.7 per cent in 1960 to 60.3 percent in 1966. Total school enrollment is up from 163,500 in 1960 to 271,800 in 1966.

*El Salvador*

(1) Expenditures for education rose from \$13 million in 1960 to \$22 million in 1965. Twenty-one percent of the 1966 budget is allocated to education as compared with 18 percent in 1962. (2) Enrollment in all primary schools increased by 12 percent between 1962 and 1965, but by 30 percent in areas served by AID schools during the same period. (3) More than 1.2 million new primary textbooks, written and produced with AID assistance, are being introduced in the school system and 3,000 teachers received inservice training in their use during 1966.

**HEALTH***Bolivia*

The Bolivian Institute of Occupational Health, organized in 1963 has examined over 90,000 patients and has initiated treatment on all patients, mostly miners, found to have silicosis or T.B. Bolivia's infant mortality rate has fallen from 140 to 120 per 1,000 babies between 1965-66.

Nine community self-help potable water projects were completed during 1966 as compared with five the year before. These projects were constructed with 50 percent or more of the cost contribution coming from the community served, and have increased to over one-third the percentage of rural population covered by potable water projects. Over 120 additional towns have submitted applications pledging 50 percent cash contributions for construction of new water supply systems.

*Brazil*

Brazil is bearing the greater part of the cost of the largest malaria eradication effort in the Western Hemisphere, outside support being received from AID and PAHO. By means of a newly established national water fund, loans are limited to those municipalities willing and able to maintain well-managed self-supporting water systems. By December 1966, 17 loans had been made to benefit over 1,500,000 people. Twenty-five more loan requests are now pending and others are also anticipated. A program has been initiated to improve planning and administra-

tion of the Federal Health Ministry and of health services in key states, and a small organization, reporting to the Ministry of Health, has been created in this process. Research on aspects of population problems has begun, particularly at the University of São Paulo, and medical and university interest in demographic studies is evident in other urban areas.

#### *Colombia*

The national health program is currently over 800 health centers and rural clinics throughout the country. The number of hospital beds increased from 43,466 in 1960 to 47,377 in 1965. The death rate per 1,000 of population, fell from 12.9 in 1960 to 9.8 in 1965. Potable water was available to 85 percent of the urban population in 1965 compared to 75 percent in 1960. An estimated 62 percent of the urban population had access to adequate sewerage systems, compared to 53 percent in 1960.

#### *El Salvador*

Ten rural mobile health units were operating in 1966, serving a population of over 550,000 people in 63 rural communities and environs. In fiscal year 1966, over 280,000 individual consultations were provided.

El Salvador's first family planning program began operation in March 1966 with AID assistance. By the end of 1966, 17 clinics were functioning, and providing clinical services at an annual rate of over 25,000 consultations.

Construction began in September 1966 on a program for 50 permanent rural health clinics, utilizing an AID loan of \$700,000. These clinics will replace some of the service now provided by the mobile health units.

As a result of Alliance programs, 70 percent of the urban population had potable water in 1965, up from 50 percent in 1960.

Eleven percent of the 1966 national budget was allocated to public health as compared with 9 percent in 1965.

#### *Nicaragua*

The number of physicians per 10,000 people increased from 3.7 in 1960 to 4.3 in 1965. Infant mortality, 54 deaths per 1,000 live births, is the lowest for the region. The GON began a public program in June 1964 to reduce the death rate by mass immunization against smallpox, diphtheria, whooping cough, tetanus, and poliomyelitis. GON resources devoted to health increased from \$3 million in 1960 to \$15 million in 1966.

#### *Panama*

Expansion of health services and facilities in Panama is based upon priorities set forth in the national health plan for 1962-70. In 1966 construction was started on the last two of 11 regional health centers and the GOP has provided money in its budget for the complete support of seven rural mobile health units. In the last year, there have been more than 170,000 visits to these new facilities.

Several significant advances in the implementation of the national health plan will accompany four health loans proposed for 1967: Aguadulce Regional Hospital, rural potable water systems, rural mobile health extension, and malaria eradication.

Two health related programs, one in population planning and the other in nutrition, received increased emphasis in 1966. Significant in the case of the former was the establishment of a population control clinic. Three ministries are co-operating in an effort to combat malnutrition. The Ministry of Health has underway an applied nutrition program, the Ministry of Education is supporting the program by encouraging school gardens and is spreading the school lunch program to more schools, and the Ministry of Agriculture backs the national nutrition program through its extension agents.

#### *Paraguay*

GOP planning priorities, aimed at a reduction of the infant mortality rate, eradication of malaria, and the control of contagious diseases, are being implemented by programs for improved water supply facilities, health centers and hospitals, school nutrition, medical and nursing training, and progressive development of a social security system. The GOP-USAID jointly funded rural health program was turned over to the Ministry of Health in 1964 and now is being carried out with local resources. Between 1959 and 1965 more than 11,000 latrines were repaired and more than 13,000 were constructed in homes and schools. In

cooperation with UNICEF and the Pan American Sanitary Bureau, the Ministry is constructing and repairing deep wells for health centers and schools, with more than 1,500 wells constructed by 1965 for the benefit of approximately 150,000 persons. At the present time the GOP is taking self-help steps to initiate an 8-year malaria eradication program.

#### *Peru*

Since 1960, life expectancy has increased from 47 to 55 years; the number of physicians and hospital beds per 10,000 has increased in spite of a very rapid (3.1 percent) population increase; and the annual amount spent by the GOP on health programs has increased in constant prices over 60 percent. Eleven new general hospitals are under construction or have been completed since 1964. In 1965 a Center for the Study of Population and Development was established with GOP support and is carrying out a number of demographic and family planning research projects. In 1966 Peru completed ambitious nationwide polio and measles immunization campaigns.

The amount of money obligated for new, improved, or expanded water and sewerage systems has increased by over 5,000 percent since 1960. As a result, marked progress has been made toward the goal of providing potable water and sewerage facilities to 70 percent of the urban population and 40 percent of the rural population in the decade 1960-70. Peru's second city, Arequipa, has a new, expanded water and sewerage system and after 2 years of construction Lima's new system is more than 60 percent completed. Sixty-five new community water systems in cities and towns with over 2,000 people have been completed since 1960.

#### MONETARY AND FISCAL REFORM

#### *Argentina*

President Onganía's second policy statement placed the promotion of exports and the control of inflation as highest priority goals. The cost-of-living index has not risen as sharply in 1966 as it did in 1965; as of November the annual rate of increase was 26 percent as against 40 percent last January.

The Government seems predisposed to allow wage increases amounting to 30 percent as evidenced by recent rises secured by the metalworking and textile industries. The two Governments have also effected no less than 18 increases in public utility, transportation, and petroleum product prices since January 1.

In November the peso was devalued for the third time during 1966, and the equivalent dollar value at the official rate exchange is now 33 percent lower than it was at the beginning of the year.

The state railways, which absorb 55 percent of the national treasury deficit of 164 billion pesos, is another target for reform. The Government has intensified its public-relations campaign to pave the way for general acceptance of a restructuring of the system which will include efficiencies in personnel utilization, elimination of uneconomic branch lines, and increases in fares and tariffs.

#### *Bolivia*

Bolivia has had a single, stable exchange rate since 1958. The price level, as reflected in the La Paz cost-of-living index, is one of the most stable in Latin America. In 1961 the annual increase in the index was 6.8 percent, in 1963 it was 0.1 percent, and 2.9 percent in 1965. The annual increase in the index for 1966 will be somewhat higher (8 to 9 percent).

An indication of the partial success of the Triangular Plan for COMIBOL (the semiautonomous Government mining corporation) was the fact that it paid, in 1966, around \$4 million in taxes to the Central Government. High tin prices, coupled with actions undertaken to strengthen COMIBOL resulted in a 25-percent reduction in costs and an operating profit for the first time in this decade. COMIBOL's improvement was a major factor in the better performance of public sector finances for 1966. Public-sector dissavings were reduced 42 percent between 1963 and 1965, from \$60.5 million in 1963 to \$35 million in 1965 (these data are at best approximate). The current deficit of the Central Government has been steadily falling during recent years. In 1963 the figure was \$47.1 million; by 1965 the current deficit had dropped to \$10.1 million.

#### *Brazil*

The Brazilian Government's stabilization program has reduced the rate of inflation from an annual rate of over 140 percent in March 1964 to about 40 percent during 1966. For the last semester of 1966, the price increase averaged less than 2 percent per month or an annual rate of about 24 percent. A further

reduction to an annual rate of about 10 percent is anticipated by the end of 1967 as a consequence of the continuing measures to eliminate the federal budget deficit, to maintain noninflationary credit and wage policies and a realistic exchange rate. Moreover, removal of price controls on agricultural products, which contributed to the price increases in 1966, is now starting to show favorable results in the form of higher production.

The massive budget deficits of the Goulart regime, the major factor in the near runaway inflation, were reduced in excess of 60 percent from 1964 to 1966.

#### *Chile*

Chilean monetary and fiscal reforms have resulted in the following: (1) The inflation rate in 1966 was held to 17 percent, the lowest since the start of the Alliance, and significantly lower than the 26-percent rate in 1965, and the 1964 and 1963 increases of 38.4 and 45 percent respectively. (2) Fiscal revenues (which are virtually all tax revenues) rose almost 23 percent in real terms in 1965 and are estimated to have increased by 22 percent in 1966. These receipts had averaged about 16 percent of GNP in 1963 and 1964 but expanded to about 19 percent in 1965 and 20 percent in 1966. These increases resulted in large part from improved tax administration and collection techniques as well as rate and structural reforms. (3) Budget reforms designed to strengthen the system of controls over commitments and expenditures were set forth in a new organic budget law which has been introduced into Congress incorporating these controls and establishing other reforms in the budget structure and system. The law is expected to pass in early 1967. (4) Exchange rate depreciation during 1966 exceeded consumer price increases by 3 percentage points (20 versus 17 percent) and it is Chilean Government policy to continue depreciation at a rate sufficient to bring the value of the escudo into a more acceptable relationship to the dollar. (5) The growth rate in fiscal sector current account transfers, which was 24 percent in real terms in 1965, was reduced to 15 percent in 1966 and should be further reduced in 1967. (6) Decentralized agency reforms in 1965-66 included the preparation of draft legislation to create a new Ministry of Public Works and Transport, increased rates for domestic maritime, air, and rail services, arrangements for technical assistance to several agencies, and the introduction of numerous cost-saving measures.

#### *Colombia*

The program year from September 1965 to August 1966 saw major achievements in monetary and fiscal reform. A series of measures by Finance Minister Vallejo increased the exchange rate for buying dollars, liberalized imports accompanied by higher tariffs, imposed new taxes, improved tax administration, provided for self-financing by the coffee federation, and maintained fairly tight control over the money supply. As a result, the budget temporarily ran a surplus despite sizable increase in investment expenditures.

In the fiscal field, a new system for withholding income taxes has been scheduled to start in 1967, which will increase in gasoline taxes as part of its program for 1967.

#### *Nicaragua*

Nicaragua has experienced remarkable price stability since the Alliance began. Despite a doubling of the money supply during the period to finance expanded economic activity, the cost of living index for Managua increased about 11 percent during years 1961-66. Conservative monetary policy by the Central Bank has been instrumental to the achievement of sustained growth without inflation during this period.

#### *Mexico*

The new administration has achieved considerable success in coping with inflationary pressures. Wholesale prices advanced only 1.9 percent in 1965 and on the basis of data thus far available may have risen about 2.2 percent in 1966. Retail prices and the Mexico City cost-of-living index have in recent months moved up at a faster pace, but the Government has warned that it is prepared to put more items under price control if necessary to maintain price stability.

The heavy short-term external debt inherited from the previous regime has been skillfully handled. Not only were external borrowings \$300 million less in 1965 than in 1966, but extensions of some short-term debt to medium term and of some medium term to long term were negotiated to bring the total debt servicing burden to a more manageable level.

*Peru*

Peru has accomplished its excellent economic growth during the first half of the 1960's while at the same time enjoying, by Latin American standards, a high degree of economic stability. Until 1964, Peru experienced only a moderate rate of inflation. Price increases averaged only 6 percent per year during the period 1960-63. In 1964, largely as a result of wage increases, shortages of basic agricultural commodities, and deficit financing in the public sector, prices rose about 10 percent and in 1965 increased again about 15 percent. The monetary authorities, with the agreement of the IMF and IBRD, in late 1965 sought to take measures to reduce inflationary pressures and attempt to bring budgetary deficits in 1966 within manageable proportions. By restricting central government borrowing from the central bank and maintaining tight controls on credit expansion, the rate of increase of prices has been held down. Price increases for 1966 will come to less than 10 percent, representing a big improvement over 1965.

In an increased effort to maintain financial stability, Peruvian fiscal authorities, following the recommendations of the IMF and IBRD, revised their 1966 budget plans downward in an attempt to reduce the size of the public sector deficit. However, the reduction of expenditures and maintenance of tight control over fiscal operations has proven very difficult, given the inadequacies of Peru's public administration and continued developmental pressures for increased public sector investment.

In a further effort to reduce the 1966 governmental deficit, the Ministry of Finance announced in September 1966 the imposition of an austerity-type cash budget for the remainder of 1966. It also embarked on a program calling for a converted effort to obtain the greatest amount of revenues from existing taxes. Fiscal authorities are now considering new measures to increase public sector revenues and public sector current savings for 1967.

*Uruguay*

The GOU-IMF agreement, concluded in May 1966, required a restriction on credit which the GOU successfully maintained. At the end of September, central bank credit was some 1,400 million pesos below the ceiling permitted to be reached by December 1. In the weeks preceding and following the November 27 elections, credit practices loosened and it is not possible at this time to estimate whether the entirely satisfactory GOU performance will be maintained to the end of the year.

The constitutional reform voted in the recent elections provides for an independent central bank with a reorganized directing body that should make bank operations more efficient. Implementing legislation will depend upon the next Parliament.

Exchange rate adjustments lagged and became unrealistic in the weeks prior to the elections. This deficiency was corrected the day after the elections, which may act to stimulate exports. However, at the same time changes were made in export taxes which reduced the net gain to the exporter and thus reduced the export effect of the realistic adjustment of the exchange rate.

*Venezuela*

Venezuela has had social and development-minded governments during the period 1961-66 which have followed sound and confidence-inspiring monetary and fiscal policies. Venezuelan currency continues strong in relation to the dollar; gold and foreign exchange reserves have grown from \$585 million at yearend 1962 to \$853 million at yearend 1965, a 44.4 percent increase. As a result of tax reforms introduced in 1961 and devaluation of the bolivar, budgetary deficits were eliminated, and each year from 1962 through 1965 there has been a comfortable though declining budget surplus. The outlook for 1966 is less favorable because total expenditures are growing at a time when the rate of growth of oil revenues, which account for 64 percent of receipts, is declining. The national budget has grown from the equivalent of \$1,243 million in 1961 to \$1,745 million in 1966, a 40 percent increase. At the same time, stability has been maintained to a remarkable degree with wholesale prices having advanced only gradually from 100.0 in 1961 to 116.4 in 1965; cost of living statistics for the city of Caracas from 100 to 103 in this period.



## NATIONAL PLANNING

*Argentina*

On September 30, the government passed a new development law which instituted the national system of planning and action for development. Under this law the President of the country assumes personal responsibility for development planning as head of the National Development Council (Conade) which is to be the implementing agency. The law further (1) provides for integration of development planning and security planning; (2) calls for participation by all levels of the public sector, national, state, and municipal, in the planning process; and (3) sets up guidelines to be followed by the private sector.

*Chile*

Progress on national planning has effected the following: (1) A national planning office (Odeplan) was established in 1965. During 1966, progress has been made in refining the development planning process. In preparing a national development plan for 1967-71, separate sectoral planning groups have been established in key sectors, including agriculture, education, industry, housing, health, and others, and a project planning capability is being incorporated into the work of these groups. Preliminary global planning projects have been made, and interagency coordination of economic planning is improving; (2) technical assistance coordination has improved essentially due to the effects of both the national planning office technical assistance coordination staff and improved communication and coordination between international donors including AID, U.N., and private foundations; and (3) improved direction and coordination of national economic policy has been achieved through the creation of a Cabinet-level economic committee chaired by the Finance Minister. This committee is directing the work of the national planning office and has decision-making authority on broad financial economic planning issues.

*Honduras*

In October 1965, the National Economic Council was reorganized under the Ministry of the Presidency as the Superior Council of Economic Planning and was given new powers for coordination and integration of public sector activities and budget plans, including evaluation of projects of autonomous and semiautonomous organizations. At that time, a 5-year plan was presented to the assembly and to the business community as well as to the CIAP. The plan inventories public investment projects for 1965 and 1966 and projects basic economic growth requirements and actions the Council feels necessary to achieve development objectives. The plan calls for an increase in public investments from \$16.7 million in 1962 to \$40.4 million in 1966, and up to \$67.5 million in 1969. The council, which originally ignored the educational sector in the 5-year plan, has recently developed a plan for the expansion and long-term development of the country's primary, secondary, and university level education programs.

*Mexico*

Planning is carried out through an intersecretarial committee composed of representatives of the Secretariat of Finance and the Secretariat of the Presidency. An overall economic development plan has been prepared and is now being considered by the various agencies concerned. Meanwhile, regional development programs involving infrastructure investments and crossing federal and state jurisdictions are being carried out in half a dozen regions in Mexico.

*Panama*

During 1966, the GOP department of planning concentrated its efforts on the following activities: preparing the national economic development plan 1968-72; preparing development projects and feasibility studies; increasing the amount and improving the quality of economic statistics collected; developing plans for the reorganization and improvement of governmental ministries; and, calling and conducting budget and investment hearings at which GOP ministries and independent agencies presented their operating and investment proposals for 1967. An AID-financed team of planning experts began in February 1966 to assist their counterparts in performing planning tasks and at the same time training Panamanian technicians to strengthen the GOP department of planning.

*Paraguay*

The GOP established a Planning Secretariat for Economic and Social Development in 1962, and has received moderate AID assistance since that time. A

preliminary development plan for 1965-66 was published in 1965. It was evaluated by an ad hoc committee of CIAP.

In August 1966 a revised 2-year plan was published for 1967-68, incorporating many of the CIAP Committee's recommendations. It is felt that, in general, the revised plan is much more realistic in its development targets and more accurate in pinpointing obstacles to development than its predecessor. It is regarded as another important step toward a more rational allocation of resources for Paraguay's development program. A longer-range, 10-year development plan is being prepared.

#### *Uruguay*

In October 1965 the National Planning Commission CIDE published a 10-year development plan plus an emergency economic stabilization program. The GOU National Council approved the plan and legislative approval is pending. Certain plan proposals were incorporated in the constitutional reform measures which were voted approval in the recent elections. These include modernization of the social security system, and the creation of a Budget and Planning Office in the Office of the President (this Office will take over the function and personnel of CIDE and will continue CIDE's planning duties). The introduction of performance budgeting is also a part of the reform. The reform also calls for realignment of certain ministries' functions proposed in the CIDE plan.

#### *Venezuela*

Venezuela has an effective national plan with a competent planning entity (Cordiplan) which enjoys the full confidence and support of the Government. Purpose of the plan is to transform a petroleum economy into a broadly based modern agricultural and industrial economy while improving living conditions for the Venezuelan people; the plan is revised on a continuing basis with major revisions at 2-year intervals. In November of 1962 Cordiplan submitted its 1963-66 "4-Year Plan of the Nation" to the CIAP's Panel of Nine. In November 1963 the Panel of Nine issued its evaluation which recommended higher public expenditures in certain areas. These recommendations were substantially included in the subsequent "Leoni plan," and later incorporated into the 1965 fiscal budget. The revised plan for 1965-68 was released in August 1966; it does not vary greatly from the outlines of the 1963-66 plan; annual GNP growth rate continues to be projected at 5.6 percent in current prices. The new plan depends heavily on a projected 4-percent annual increase in petroleum, which may be optimistic; it anticipates a slight decrease in the growth rate of industrial production but includes increases in housing and agriculture.

### PRIVATE ENTERPRISE

#### *Argentina*

Possibly one of the most important developments during 1966 was the reversal of Government policy toward the petroleum industry. The Illia regime had annulled the contracts of the petroleum companies (mostly Americans) and had concluded settlement agreements with all but three of these companies; the new Government has reopened negotiations with the remaining three. All renegotiations center about the companies' continuation of exploration and production. It has become evident that YPF is in no position to make Argentina self-sufficient in petroleum and therefore the Government has recognized the role private enterprise (largely foreign) must play in the development of the industry. The granting of real concessions, which would necessitate an amendment of the "Ley de Hidrocarburos," is being widely urged by the economic press.

#### *Brazil*

The Brazilian Government has taken active steps to encourage a resumption of private foreign investment, which virtually ceased from 1962 to 1965, including a liberalization of restrictions on profits remittances, the opening up of minerals development to domestic and foreign enterprise, maintenance of realistic foreign exchange rates, and the settlement of the Amforp (American and Foreign Power Company) case. An investment guaranty agreement was signed in February 1965 and is now being implemented. Further, the Government is taking steps to encourage greater private investment in industry through the capital market law of 1965, and the establishment of intermediate credit institutions, and special tax measures. Measures to encourage the purchase of shares by the public in some Government-controlled enterprises will take effect in 1967.

*Chile*

Private sector growth figures and measures initiated to stimulate continued progress include: (1) Industrial production for the first 9 months of 1966 rose by 6.9 percent over the corresponding period of 1965, and industrial exports for the year as a whole are expected to be up 65 percent over last year. (2) Public sector investment in the more productive sectors in 1966 rose as a percent of total government investment. According to the latest projections for the year as a whole, this included a 31.3 percent real rise in investment in agriculture and a 153.3 percent real increase in investment in industry. (3) Programs are being prepared, including copper, petrochemicals, plastics, beet sugar, fertilizers, and other industries, calling for greatly increased investment through 1970 for the expansion of production of basic commodities. (4) Legislation establishing new norms for the production, manufacture, and sales of copper was signed into law by President Frei in April 1966 to increase export earnings from copper and gain greater control of the industry. (5) Reform legislation on corporate operations and stock offerings to the public is now in Congress, and legislation designed to strengthen the enforcement machinery of the existing antimonopoly law is being prepared. (6) Labor reforms include the establishment of an 8-hour day for agricultural workers, and other modifications to the labor code which are now under consideration in the Congress. A law permitting the unionization of campesinos has just been passed by Congress and awaits Presidential action. (7) An investment guarantee agreement for convertibility has been signed, ratified, and put into force. Although coverages are being issued, the amendment covering expropriation and war risks signed in 1963 has not yet received congressional approval. As of June 30, 1966 guarantees issued total \$221.5 million, including \$115.8 million for convertibility, \$85.4 million for expropriation, and \$10.3 million for war risk. (8) Wage policy data made available unofficially by the Government of Chile indicate that real wages for low-income groups have increased significantly in 1966, thereby continuing the Frei administration policy to raise real incomes of wage earners and redistribute total income in favor of low-income groups.

*Ecuador*

Actions designed to encourage investment and to facilitate more rational business organization and financing have included: a "law of companies" which seeks *inter-alia* to encourage the development of a private market; decrees to allow the creation of both public and private investment companies; and modifications in Ecuador's industrial development law which have granted industry lower taxes and have established exemptions from certain fees and tariffs.

A public financiera and a private financiera, using AID loans (of \$5 million and \$3 million respectively) are making development loans and helping new enterprises. The public financiera has loaned money to 32 new businesses in 22 different fields, creating 800 new jobs and saving \$10 million in foreign exchange. The private financiera, in 4 months, has loaned \$1.8 million to nine enterprises, creating about 500 new jobs.

Both specific risks and extended risk guarantees are available for American investors: through September 30, 1966, 42 had been issued for a total coverage of \$52.2 million; an additional 53, with a total coverage of \$299.7 million were being processed. New investment covered by these guarantees was approximately \$100 million.

*El Salvador*

The index of manufacturing production (1961=100) has climbed steadily to 188 in 1965. Gross private investment is estimated to have grown from \$58 million in 1962 to \$90 million in 1965.

By 1966, INSAFI had committed all the \$4.5 million AID loan for industrial relending to the private sector. A private development bank, established with AID, local and foreign private capital, had committed one-half of a \$5.2 million AID loan.

The new savings and loan system operating with a \$3.1 million AID loan, increased its local assets from \$1 million in June 1965 to \$4.8 million in mid-1966. Savings deposits during the same period grew from \$.3 million to \$1.4 million. Over 900 homes in 1966 had been completed or were under construction. An AID housing guarantee project (Miramonte) was completed and a new project of similar size (500 houses) has been authorized, with construction to begin in 1967.

*Paraguay*

A U.S. investment guarantee has been in force covering convertibility and expropriation. In 1966, this agreement was amended to include war and insurrection extended risks and housing guarantees.

A revised industrial development law providing greater fiscal incentives to new and expanding industries was passed and implemented in 1966. Also in 1966, a private productivity and development center was established and is being enthusiastically supported by Paraguay's emerging and increasingly progressive private enterprise sector.

Credit for industrial and other feasibility studies is being made available through an IDB loan. The autonomous National Development Bank continues to increase the credit for industrial expansion. Interest has been expressed in, and an AID-financed feasibility study has been completed for, establishing a private development bank to stimulate an increased amount of private investment. It is estimated that gross private investment increased from Gs. 6.8 billion in 1965 to Gs. 7.7 billion in 1966, an increase of 13 percent.

*Peru*

For many years Peru has enjoyed an excellent climate for private investment which in large part accounts for the excellent performance of the private sector and the economy as a whole. With a complete absence of exchange controls, minimal governmental regulation or interference, a relatively stable economy, and adequate exports in relationship to imports, foreign credit, and direct investment have been readily available.

During the 5-year period 1960-64 manufacturing increased 43 percent. In 1965 it totaled \$570 million (in 1963 prices) and accounted for 16.1 percent of GNP. During 1966 investment in manufacturing and processing industries again moved sharply ahead sparked by chemicals and automotive assembly.

*Venezuela*

In its efforts to diversify the economy, the Government of Venezuela has not only developed positive programs for the private sector but also maintained a good climate for private investment. New legislation aimed at providing incentives for private investors in selected industries included free entry for capital equipment and raw material destined for new plants, liberal tariff protection and provision of short-, medium- and long-term credits by government agencies. The Corporación Venezolana de Fomento, whose principal function is to stimulate economic development by promoting industry, offers long-term credit to industrial enterprises, purchases stock in newly established plants and in some cases constructs complete industrial installations. Under an investment guarantee agreement signed by the Government of Venezuela with AID in November 1962, 94 investment guarantees for \$76 million covering risks of war, devaluation and inconvertibility have been issued, representing investments totaling \$41 million.



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## ARTICLES OF AGREEMENT ESTABLISHING THE INTER-AMERICAN DEVELOPMENT BANK

The countries on whose behalf this Agreement is signed agree to create the Inter-American Development Bank, which shall operate in accordance with the following provisions:

### ARTICLE I. PURPOSE AND FUNCTIONS

#### SECTION 1. *Purpose*

The purpose of the Bank shall be to contribute to the acceleration of the process of economic development of the member countries, individually and collectively.

#### SEC. 2. *Functions*

(a) To implement its purpose, the Bank shall have the following functions:

(i) to promote the investment of public and private capital for development purposes;

(ii) to utilize its own capital, funds raised by it in financial markets, and other available resources, for financing the development of the member countries, giving priority to those loans and guarantees that will contribute most effectively to their economic growth;

(iii) to encourage private investment in projects, enterprises, and activities contributing to economic development and to supplement private investment when private capital is not available on reasonable terms and conditions;

(iv) to cooperate with the member countries to orient their development policies toward a better utilization of their resources, in a manner consistent with the objectives of making their economies more complementary and of fostering the orderly growth of their foreign trade; and

(v) to provide technical assistance for the preparation, financing, and implementation of development plans and projects, including the study of priorities and the formulation of specific project proposals.

(b) In carrying out its functions, the Bank shall cooperate as far as possible with national and international institutions and with private sources supplying investment capital.

### ARTICLE II. MEMBERSHIP IN AND CAPITAL OF THE BANK

#### SECTION 1. *Membership*

(a) The original members of the Bank shall be those members of the Organization of American States which, by the date specified in Article XV, Section 1(a), shall accept membership in the Bank.



(b) Membership shall be open to other members of the Organization of American States at such times and in accordance with such terms as the Bank may determine.

## SEC. 2. *Authorized Capital*

(a) The authorized capital stock of the Bank, together with the initial resources of the Fund for Special Operations established in Article IV (hereinafter called the Fund), shall total one billion dollars (\$1,000,000,000) in terms of United States dollars of the weight and fineness in effect on January 1, 1959. Of this sum, eight hundred and fifty million dollars (\$850,000,000) shall constitute the authorized capital stock of the Bank and shall be divided into 85,000 shares having a par value of \$10,000 each, which shall be available for subscription by members in accordance with Section 3 of this article.

(b) The authorized capital stock shall be divided into paid-in shares and callable shares. The equivalent of four hundred million dollars (\$400,000,000) shall be paid in, and four hundred and fifty million dollars (\$450,000,000) shall be callable for the purposes specified in Section 4 (a) (ii) of this article.

(c) The capital stock indicated in (a) of this section shall be increased by five hundred million dollars (\$500,000,000) in terms of United States dollars of the weight and fineness existing on January 1, 1959, provided that—

(i) the date for payment of all subscriptions established in accordance with Section 4 of this article shall have passed; and

(ii) a regular or special meeting of the Board of Governors, held as soon as possible after the date referred to in subparagraph (i) of this paragraph, shall have approved the above-mentioned increase of five hundred million dollars (\$500,000,000) by a three-fourths majority of the total voting power of the member countries.

(d) The increase in capital stock provided for in the preceding paragraph shall be in the form of callable capital.

(e) Notwithstanding the provisions of paragraphs (c) and (d) of this section, the authorized capital stock may be increased when the Board of Governors deems it advisable and in a manner agreed upon by a two-thirds majority of the total number of governors representing not less than three-fourths of the total voting power of the member countries.

## SEC. 3. *Subscription of Shares*

(a) Each member shall subscribe to shares of the capital stock of the Bank. The number of shares to be subscribed by the original members shall be those set forth in Annex A of this Agreement, which specifies the obligation of each member as to both paid-in and callable capital. The number of shares to be subscribed by other members shall be determined by the Bank.

(b) In case of an increase in capital pursuant to Section 2, paragraph (c) or (e) of this article, each member shall have a right to subscribe, under such conditions as the Bank shall decide, to a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to the total capital stock of the Bank. No member, however, shall be obligated to subscribe to any part of such increased capital.

(c) Shares of stock initially subscribed by original members shall be issued at par. Other shares shall be issued at par unless the Bank decides in special circumstances to issue them on other terms.

(d) The liability of the member countries on shares shall be limited to the unpaid portion of their issue price.

(e) Shares of stock shall not be pledged or encumbered in any manner, and they shall be transferable only to the Bank.

#### SEC. 4. *Payment of Subscriptions*

(a) Payment of the subscriptions to the capital stock of the Bank as set forth in Annex A shall be made as follows:

(i) Payment of the amount subscribed by each country to the paid-in capital stock of the Bank shall be made in three installments, the first of which shall be 20 percent, and the second and third each 40 percent, of such amount. The first installment shall be paid by each country at any time on or after the date on which this Agreement is signed, and the instrument of acceptance or ratification deposited, on its behalf in accordance with Article XV, Section 1, but not later than September 30, 1960. The remaining two installments shall be paid on such dates as are determined by the Bank, but not sooner than September 30, 1961, and September 30, 1962, respectively.

Of each installment, 50 percent shall be paid in gold and/or dollars and 50 percent in the currency of the member.

(ii) The callable portion of the subscription for capital shares of the Bank shall be subject to call only when required to meet the obligations of the Bank created under Article III, Section 4 (ii) and (iii) on borrowings of funds for inclusion in the Bank's ordinary capital resources or guarantees chargeable to such resources. In the event of such a call, payment may be made at the option of the member either in gold, in United States dollars, or in the currency required to discharge the obligations of the Bank for the purpose for which the call is made.

Calls on unpaid subscriptions shall be uniform in percentage on all shares.

(b) Each payment of a member in its own currency under paragraph (a) (i) of this section shall be in such amount as, in the opinion of the Bank, is equivalent to the full value in terms of United States dollars of the weight and fineness in effect on January 1, 1959, of the portion of the subscription being paid. The initial payment shall be in such amount as the member considers appropriate hereunder but shall be subject to such adjustment, to be effected within 60 days of the date on which the payment was due, as the Bank shall determine to be necessary to constitute the full dollar value equivalent as provided in this paragraph.

(c) Unless otherwise determined by the Board of Governors by a three-fourths majority of the total voting power of the member countries, the liability of members for payment of the second and third installments of the paid-in portion of their subscriptions to the capital stock shall be conditional upon payment of not less than 90 percent of the total obligations of the members due for—

(i) the first and second installments, respectively, of the paid-in portion of the subscriptions; and

(ii) the initial payment and all prior calls on the subscription quotas to the Fund.

*SEC. 5. Ordinary Capital Resources*

As used in this Agreement, the term "ordinary capital resources" of the Bank shall be deemed to include the following:

- (i) authorized capital, including both paid-in and callable shares, subscribed pursuant to Sections 2 and 3 of this article;
- (ii) all funds raised by borrowings under the authority of Article VII, Section 1(i) to which the commitment set forth in Section 4(a) (ii) of this article is applicable;
- (iii) all funds received in repayment of loans made with the resources indicated in (i) and (ii) of this section; and
- (iv) all income derived from loans made from the aforementioned funds or from guarantees to which the commitment set forth in Section 4(a) (ii) of this article is applicable.

## ARTICLE III. OPERATIONS

*SECTION 1. Use of Resources*

The resources and facilities of the Bank shall be used exclusively to implement the purpose and functions enumerated in Article I of this Agreement.

*SEC. 2. Ordinary and Special Operations*

(a) The operations of the Bank shall be divided into ordinary operations and special operations.

(b) The ordinary operations shall be those financed from the Bank's ordinary capital resources, as defined in Article II, Section 5, and shall relate exclusively to loans made, participated in, or guaranteed by the Bank which are repayable only in the respective currency or currencies in which the loans were made. Such operations shall be subject to the terms and conditions that the Bank deems advisable, consistent with the provisions of this Agreement.

(c) The special operations shall be those financed from the resources of the Fund in accordance with the provisions of Article IV.

*SEC. 3. Basic Principle of Separation*

(a) The ordinary capital resources of the Bank as defined in Article II, Section 5, shall at all times and in all respects be held, used, obligated, invested, or otherwise disposed of entirely separate from the resources of the Fund, as defined in Article IV, Section 3 (h).

The financial statements of the Bank shall show the ordinary operations of the Bank and the operations of the Fund separately, and the Bank shall establish such other administrative rules as may be necessary to insure the effective separation of the two types of operations.

The ordinary capital resources of the Bank shall under no circumstances be charged with, or used to discharge, losses or liabilities arising out of operations for which the resources of the Fund were originally used or committed.

(b) Expenses pertaining directly to ordinary operations shall be charged to the ordinary capital resources of the Bank. Expenses pertaining directly to special operations shall be charged to the resources of the Fund. Other expenses shall be charged as the Bank determines.



#### SEC. 4. *Methods of Making or Guaranteeing Loans*

Subject to the conditions stipulated in this article, the Bank may make or guarantee loans to any member, or any agency or political subdivision thereof, and to any enterprise in the territory of a member, in any of the following ways:

(i) by making or participating in direct loans with funds corresponding to the unimpaired paid-in capital and, except as provided in Section 13 of this article, to its reserves and undistributed surplus; or with the unimpaired resources of the Fund;

(ii) by making or participating in direct loans with funds raised by the Bank in capital markets, or borrowed or acquired in any other manner for inclusion in the ordinary capital resources of the Bank or the resources of the Fund; and

(iii) by guaranteeing in whole or in part loans made, except in special cases, by private investors.

#### SEC. 5. *Limitations on Ordinary Operations*

(a) The total amount outstanding of loans and guarantees made by the Bank in its ordinary operations shall not at any time exceed the total amount of the unimpaired subscribed capital of the Bank, plus the unimpaired reserves and surplus included in the ordinary capital resources of the Bank, as defined in Article II, Section 5, exclusive of income assigned to the special reserve established pursuant to Section 13 of this article and other income assigned by decision of the Board of Governors to reserves not available for loans or guarantees.

(b) In the case of loans made out of funds borrowed by the Bank to which the obligations provided for in Article II, Section 4(a) (ii) are applicable, the total amount of principal outstanding and payable to the Bank in a specific currency shall at no time exceed the total amount of principal of the outstanding borrowings by the Bank that are payable in the same currency.

#### SEC. 6. *Direct Loan Financing*

In making direct loans or participating in them, the Bank may provide financing in any of the following ways:

(a) By furnishing the borrower currencies of members, other than the currency of the member in whose territory the project is to be carried out, that are necessary to meet the foreign exchange costs of the project.

(b) By providing financing to meet expenses related to the purposes of the loan in the territories of the member in which the project is to be carried out. Only in special cases, particularly when the project indirectly gives rise to an increase in the demand for foreign exchange in that country, shall the financing granted by the Bank to meet local expenses be provided in gold or in currencies other than that of such member; in such cases, the amount of the financing granted by the Bank for this purpose shall not exceed a reasonable portion of the local expenses incurred by the borrower.

**SEC. 7. *Rules and Conditions for Making or Guaranteeing Loans***

(a) The Bank may make or guarantee loans subject to the following rules and conditions:

(i) the applicant for the loan shall have submitted a detailed proposal and the staff of the Bank shall have presented a written report recommending the proposal after a study of its merits. In special circumstances, the Board of Executive Directors, by a majority of the total voting power of the member countries, may require that a proposal be submitted to the Board for decision in the absence of such a report;

(ii) in considering a request for a loan or a guarantee, the Bank shall take into account the ability of the borrower to obtain the loan from private sources of financing on terms which, in the opinion of the Bank, are reasonable for the borrower, taking into account all pertinent factors;

(iii) in making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower and its guarantor, if any, will be in a position to meet their obligations under the loan contract;

(iv) in the opinion of the Bank, the rate of interest, other charges and the schedule for repayment of principal are appropriate for the project in question;

(v) in guaranteeing a loan made by other investors, the Bank shall receive suitable compensation for its risk; and

(vi) loans made or guaranteed by the Bank shall be principally for financing specific projects, including those forming part of a national or regional development program. However, the Bank may make or guarantee overall loans to development institutions or similar agencies of the members in order that the latter may facilitate the financing of specific development projects whose individual financing requirements are not, in the opinion of the Bank, large enough to warrant the direct supervision of the Bank.

(b) The Bank shall not finance any undertaking in the territory of a member if that member objects to such financing.

**SEC. 8. *Optional Conditions for Making or Guaranteeing Loans***

(a) In the case of loans or guarantees of loans to nongovernmental entities, the Bank may, when it deems it advisable, require that the member in whose territory the project is to be carried out, or a public institution or a similar agency of the member acceptable to the Bank, guarantee the repayment of the principal and the payment of interest and other charges on the loan.

(b) The Bank may attach such other conditions to the making of loans or guarantees as it deems appropriate, taking into account both the interests of the members directly involved in the particular loan or guarantee proposal and the interests of the members as a whole.

**SEC. 9. *Use of Loans Made or Guaranteed by the Bank***

(a) Except as provided in Article V, Section 1, the Bank shall impose no condition that the proceeds of a loan shall be spent in the territory of any particular country nor that such proceeds shall not be spent in the territories of any particular member or members.

(b) The Bank shall take the necessary measures to ensure that the proceeds of any loan made, guaranteed, or participated in by the Bank are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency.

#### SEC. 10. *Payment Provisions for Direct Loans*

Direct loan contracts made by the Bank in conformity with Section 4 (i) or (ii) of this article shall establish:

(a) All the terms and conditions of each loan, including among others, provision for payment of principal, interest and other charges, maturities, and dates of payment; and

(b) The currency or currencies in which payments shall be made to the Bank.

#### SEC. 11. *Guarantees*

(a) In guaranteeing a loan the Bank shall charge a guarantee fee, at a rate determined by the Bank, payable periodically on the amount of the loan outstanding.

(b) Guarantee contracts concluded by the Bank shall provide that the Bank may terminate its liability with respect to interest if, upon default by the borrower and by the guarantor, if any, the Bank offers to purchase, at par and interest accrued to a date designated in the offer, the bonds or other obligations guaranteed.

(c) In issuing guarantees, the Bank shall have power to determine any other terms and conditions.

#### SEC. 12. *Special Commission*

On all loans, participations, or guarantees made out of or by commitment of the ordinary capital resources of the Bank, the latter shall charge a special commission. The special commission, payable periodically, shall be computed on the amount outstanding on each loan, participation, or guarantee and shall be at the rate of one per cent per annum, unless the Bank, by a two-thirds majority of the total voting power of the member countries, decides to reduce the rate of commission.

#### SEC. 13. *Special Reserve*

The amount of commissions received by the Bank under Section 12 of this article shall be set aside as a special reserve, which shall be kept for meeting liabilities of the Bank in accordance with Article VII, Section 3 (b) (i). The special reserve shall be held in such liquid form, permitted under this Agreement, as the Board of Executive Directors may decide.

### ARTICLE IV. FUND FOR SPECIAL OPERATIONS

#### SECTION 1. *Establishment, Purpose, and Functions*

A Fund for Special Operations is established for the making of loans on terms and conditions appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects.

The Fund, whose administration shall be entrusted to the Bank, shall have the purpose and functions set forth in Article I of this Agreement.

**SEC. 2. *Applicable Provisions***

The Fund shall be governed by the provisions of the present article and all other provisions of this Agreement, excepting those inconsistent with the provisions of the present article and those expressly applying only to the ordinary operations of the Bank.

**SEC. 3. *Resources***

(a) The original members of the Bank shall contribute to the resources of the Fund in accordance with the provisions of this section.

(b) Members of the Organization of American States that join the Bank after the date specified in Article XV, Section 1 (a), shall contribute to the Fund with such quotas, and under such terms, as may be determined by the Bank.

(c) The Fund shall be established with initial resources in the amount of one hundred and fifty million dollars (\$150,000,000) in terms of United States dollars of the weight and fineness in effect on January 1, 1959, which shall be contributed by the original members of the Bank in accordance with the quotas specified in Annex B.

(d) Payment of the quotas shall be made as follows:

(i) Fifty percent of its quota shall be paid by each member at any time on or after the date on which this Agreement is signed, and the instrument of acceptance or ratification deposited, on its behalf in accordance with Article XV, Section 1, but not later than September 30, 1960.

(ii) The remaining 50 percent shall be paid at any time subsequent to one year after the Bank has begun operations, in such amounts and at such times as are determined by the Bank; provided, however, that the total amount of all quotas shall be made due and payable not later than the date fixed for payment of the third installment of the subscriptions to the paid-in capital stock of the Bank.

(iii) The payments required under this section shall be distributed among the members in proportion to their quotas and shall be made one-half in gold and/or United States dollars, and one-half in the currency of the contributing member.

(e) Each payment of a member in its own currency under the preceding paragraph shall be in such amount as, in the opinion of the Bank, is equivalent to the full value, in terms of United States dollars of the weight and fineness in effect on January 1, 1959, of the portion of the quota being paid. The initial payment shall be in such amount as the member considers appropriate hereunder but shall be subject to such adjustment, to be effected within 60 days of the date on which payment was due, as the Bank shall determine to be necessary to constitute the full dollar value equivalent as provided in this paragraph.

(f) Unless otherwise determined by the Board of Governors by a three-fourths majority of the total voting power of the member countries, the liability of members for payment of any call on the unpaid portion of their subscription quotas to the Fund shall be conditional upon payment of not less than 90 percent of the total obligations of the members for—

(i) the initial payment and all prior calls on such quota subscriptions to the Fund; and

(ii) any installments due on the paid-in portion of the subscriptions to the capital stock of the Bank.

(g) The resources of the Fund shall be increased through additional contributions by the members when the Board of Governors considers it advisable by a three-fourths majority of the total voting power of the member countries. The provisions of Article II, Section 3 (b), shall apply to such increases, in terms of the proportion between the quota in effect for each member and the total amount of the resources of the Fund contributed by members.

(h) As used in this Agreement, the term "resources of the Fund" shall be deemed to include the following:

(i) contributions by members pursuant to paragraphs (c) and (g) of this section;

(ii) all funds raised by borrowing to which the commitment stipulated in Article II, Section 4(a) (ii) is not applicable, i.e., those that are specifically chargeable to the resources of the Fund;

(iii) all funds received in repayment of loans made from the resources mentioned above;

(iv) all income derived from operations using or committing any of the resources mentioned above; and

(v) any other resources at the disposal of the Fund.

#### SEC. 4. *Operations*

(a) The operations of the Fund shall be those financed from its own resources, as defined in Section 3(h) of the present article.

(b) Loans made with resources of the Fund may be partially or wholly repayable in the currency of the member in whose territory the project being financed will be carried out. The part of the loan not repayable in the currency of the member shall be paid in the currency or currencies in which the loan was made.

#### SEC. 5. *Limitation on Liability*

In the operations of the Fund, the financial liability of the Bank shall be limited to the resources and reserves of the Fund, and the liability of members shall be limited to the unpaid portion of their respective quotas that has become due and payable.

#### SEC. 6. *Limitation on Disposition of Quotas*

The rights of members of the Bank resulting from their contributions to the Fund may not be transferred or encumbered, and members shall have no right of reimbursement of such contributions except in cases of loss of the status of membership or of termination of the operations of the Fund.

#### SEC. 7. *Discharge of Fund Liabilities on Borrowings*

Payments in satisfaction of any liability on borrowings of funds for inclusion in the resources of the Fund shall be charged—

(i) first, against any reserve established for this purpose; and

(ii) then, against any other funds available in the resources of the Fund.



**SEC. 8. *Administration***

(a) Subject to the provisions of this Agreement, the authorities of the Bank shall have full powers to administer the Fund.

(b) There shall be a Vice President of the Bank in charge of the Fund. The Vice President shall participate in the meetings of the Board of Executive Directors of the Bank, without vote, whenever matters relating to the Fund are discussed.

(c) In the operations of the Fund the Bank shall utilize to the fullest extent possible the same personnel, experts, installations, offices, equipment, and services as it uses for its ordinary operations.

(d) The Bank shall publish a separate annual report showing the results of the Fund's financial operations, including profits or losses. At the annual meeting of the Board of Governors there shall be at least one session devoted to consideration of this report. In addition, the Bank shall transmit to the members a quarterly summary of the Fund's operations.

**SEC. 9. *Voting***

(a) In making decisions concerning operations of the Fund, each member country of the Bank shall have the voting power in the Board of Governors accorded to it pursuant to Article VIII, Section 4 (a) and (b), and each director shall have the voting power in the Board of Executive Directors accorded to him pursuant to Article VIII, Section 4 (a) and (c).

(b) All decisions of the Bank concerning the operations of the Fund shall be adopted by a two-thirds majority of the total voting power of the member countries, unless otherwise provided in this article.

**SEC. 10. *Distribution of Net Profits***

The Board of Governors of the Bank shall determine what portion of the net profits of the Fund shall be distributed among the members after making provision for reserves. Such net profits shall be shared in proportion to the quotas of the members.

**SEC. 11. *Withdrawal of Contributions***

(a) No country may withdraw its contribution and terminate its relations with the Fund while it is still a member of the Bank.

(b) The provisions of Article IX, Section 3, with respect to the settlement of accounts with countries that terminate their membership in the Bank also shall apply to the Fund.

**SEC. 12. *Suspension and Termination***

The provisions of Article X also shall apply to the Fund with substitution of terms relating to the Fund and its resources and respective creditors for those relating to the Bank and its ordinary capital resources and respective creditors.

**ARTICLE V. CURRENCIES****SECTION 1. *Use of Currencies***

(a) The currency of any member held by the Bank, either in its ordinary capital resources or in the resources of the Fund, however acquired, may be used by the Bank and by any recipient from the Bank, without restriction by the member, to make payment for goods and services produced in the territory of such member.

(b) Members may not maintain or impose restrictions of any kind upon the use by the Bank or by any recipient from the Bank, for payments in any country, of the following:

(i) gold and dollars received by the Bank in payment of the 50 percent portion of each member's subscription to shares of the Bank's capital and of the 50 percent portion of each member's quota for contribution to the Fund, pursuant to the provisions of Article II and Article IV, respectively;

(ii) currencies of members purchased with the gold and dollar funds referred to in (i) of this paragraph;

(iii) currencies obtained by borrowings, pursuant to the provisions of Article VII, Section 1(i), for inclusion in the ordinary capital resources of the Bank;

(iv) gold and dollars received by the Bank in payment on account of principal, interest, and other charges, of loans made from the gold and dollar funds referred to in (i) of this paragraph; currencies received in payment of principal, interest, and other charges, of loans made from currencies referred to in (ii) and (iii) of this paragraph; and currencies received in payment of commissions and fees on all guarantees made by the Bank; and

(v) currencies, other than the member's own currency, received from the Bank pursuant to Article VII, Section 4(c) and Article IV, Section 10, in distribution of net profits.

(c) A member's currency held by the Bank, either in its ordinary capital resources or in the resources of the Fund, not covered by paragraph (b) of this section, also may be used by the Bank or any recipient from the Bank for payments in any country without restriction of any kind, unless the member notifies the Bank of its desire that such currency or a portion thereof be restricted to the uses specified in paragraph (a) of this section.

(d) Members may not place any restrictions on the holding and use by the Bank, for making amortization payments or anticipating payment of, or repurchasing part or all of, the Bank's own obligations, of currencies received by the Bank in repayment of direct loans made from borrowed funds included in the ordinary capital resources of the Bank.

(e) Gold or currency held by the Bank in its ordinary capital resources or in the resources of the Fund shall not be used by the Bank to purchase other currencies unless authorized by a two-thirds majority of the total voting power of the member countries.

## SEC. 2. *Valuation of Currencies*

Whenever it shall become necessary under this Agreement to value any currency in terms of another currency, or in terms of gold, such valuation shall be determined by the Bank after consultation with the International Monetary Fund.

## SEC. 3. *Maintenance of Value of the Currency Holdings of the Bank*

(a) Whenever the par value in the International Monetary Fund of a member's currency is reduced or the foreign exchange value of a member's currency has, in the opinion of the Bank, depreciated to a significant extent, the member shall pay to the Bank within a reasonable time an additional amount of its own currency sufficient to maintain the value of all the currency of the member held by the Bank in

its ordinary capital resources, or in the resources of the Fund, excepting currency derived from borrowings by the Bank. The standard of value for this purpose shall be the United States dollar of the weight and fineness in effect on January 1, 1959.

(b) Whenever the par value in the International Monetary Fund of a member's currency is increased or the foreign exchange value of such member's currency has, in the opinion of the Bank, appreciated to a significant extent, the Bank shall return to such member within a reasonable time an amount of that member's currency equal to the increase in the value of the amount of such currency which is held by the Bank in its ordinary capital resources or in the resources of the Fund, excepting currency derived from borrowings by the Bank. The standard of value for this purpose shall be the same as that established in the preceding paragraph.

(c) The provisions of this section may be waived by the Bank when a uniform proportionate change in the par value of the currencies of all the Bank's members is made by the International Monetary Fund.

#### SEC. 4. *Methods of Conserving Currencies*

The Bank shall accept from any member promissory notes or similar securities issued by the government of the member, or by the depository designated by such member, in lieu of any part of the currency of the member representing the 50 percent portion of its subscription to the Bank's authorized capital and the 50 percent portion of its subscription to the resources of the Fund, which, pursuant to the provisions of Article II and Article IV, respectively, are payable by each member in its national currency, provided such currency is not required by the Bank for the conduct of its operations. Such promissory notes or securities shall be non-negotiable, non-interest-bearing, and payable to the Bank at their par value on demand.

### ARTICLE VI. TECHNICAL ASSISTANCE

#### SECTION 1. *Provision of Technical Advice and Assistance*

The Bank may, at the request of any member or members, or of private firms that may obtain loans from it, provide technical advice and assistance in its field of activity, particularly on—

(i) the preparation, financing, and execution of development plans and projects, including the consideration of priorities, and the formulation of loan proposals on specific national or regional development projects; and

(ii) the development and advanced training, through seminars and other forms of instruction, of personnel specializing in the formulation and implementation of development plans and projects.

#### SEC. 2. *Cooperative Agreements on Technical Assistance*

In order to accomplish the purposes of this article, the Bank may enter into agreements on technical assistance with other national or international institutions, either public or private.

#### SEC. 3. *Expenses*

(a) The Bank may arrange with member countries or firms receiving technical assistance, for reimbursement of the expenses of furnishing such assistance on terms which the Bank deems appropriate.

(b) The expenses of providing technical assistance not paid by the recipients shall be met from the net income of the Bank or of the Fund. However, during the first three years of the Bank's operations, up to three percent, in total, of the initial resources of the Fund may be used to meet such expenses.

## ARTICLE VII. MISCELLANEOUS POWERS AND DISTRIBUTION OF PROFITS

### SECTION 1. *Miscellaneous Powers of the Bank*

In addition to the powers specified elsewhere in this Agreement, the Bank shall have the power to—

(i) borrow funds and in that connection to furnish such collateral or other security therefore as the Bank shall determine, provided that, before making a sale of its obligations in the markets of a country, the Bank shall have obtained the approval of that country and of the member in whose currency the obligations are denominated. In addition, in the case of borrowings of funds to be included in the Bank's ordinary capital resources, the Bank shall obtain agreement of such countries that the proceeds may be exchanged for the currency of any other country without restriction;

(ii) buy and sell securities it has issued or guaranteed or in which it has invested, provided that the Bank shall obtain the approval of the country in whose territories the securities are to be bought or sold;

(iii) with the approval of a two-thirds majority of the total voting power of the member countries, invest funds not needed in its operations in such obligations as it may determine;

(iv) guarantee securities in its portfolio for the purpose of facilitating their sale; and

(v) exercise such other powers as shall be necessary or desirable in furtherance of its purpose and functions, consistent with the provisions of this Agreement.

### SEC. 2. *Warning To Be Placed on Securities*

Every security issued or guaranteed by the Bank shall bear on its face a conspicuous statement to the effect that it is not an obligation of any government, unless it is in fact the obligation of a particular government, in which case it shall so state.

### SEC. 3. *Methods of Meeting Liabilities of the Bank in Case of Defaults*

(a) The Bank, in the event of actual or threatened default on loans made or guaranteed by the Bank using its ordinary capital resources, shall take such action as it deems appropriate with respect to modifying the terms of the loan, other than the currency of repayment.

(b) The payments in discharge of the Bank's liabilities on borrowings or guarantees under Article III, Section 4 (ii) and (iii) chargeable against the ordinary capital resources of the Bank shall be charged—

(i) first, against the special reserve provided for in Article III, Section 13; and

(ii) then, to the extent necessary and at the discretion of the Bank, against the other reserves, surplus, and funds corresponding to the capital paid in for shares.

(c) Whenever necessary to meet contractual payments of interest, other charges, or amortization on the Bank's borrowings, or to meet the Bank's liabilities with respect to similar payments on loans guaranteed by it chargeable to its ordinary capital resources, the Bank may call upon the members to pay an appropriate amount of their callable capital subscriptions, in accordance with Article II, Section 4(a) (ii). Moreover, if the Bank believes that a default may be of long duration, it may call an additional part of such subscriptions not to exceed in any one year one percent of the total subscriptions of the members, for the following purposes:

- (i) to redeem prior to maturity, or otherwise discharge its liability on, all or part of the outstanding principal of any loan guaranteed by it in respect of which the debtor is in default; and
- (ii) to repurchase, or otherwise discharge its liability on, all or part of its own outstanding obligations.

#### SEC. 4. *Distribution of Net Profits and Surplus*

(a) The Board of Governors may determine periodically what part of the net profits of the surplus shall be distributed. Such distributions may be made only when the reserves have reached a level which the Board of Governors considers adequate.

(b) The distributions referred to in the preceding paragraph shall be made in proportion to the number of shares held by each member.

(c) Payments shall be made in such manner and in such currency or currencies as the Board of Governors shall determine. If such payments are made to a member in currencies other than its own, the transfer of such currencies and their use by the receiving country shall be without restriction by any member.

### ARTICLE VIII. ORGANIZATION AND MANAGEMENT

#### SECTION 1. *Structure of the Bank*

The Bank shall have a Board of Governors, a Board of Executive Directors, a President, an Executive Vice President, a Vice President in charge of the Fund, and such other officers and staff as may be considered necessary.

#### SEC. 2. *Board of Governors*

(a) All the powers of the Bank shall be vested in the Board of Governors. Each member shall appoint one governor and one alternate, who shall serve for five years, subject to termination of appointment at any time, or to reappointment, at the pleasure of the appointing member. No alternate may vote except in the absence of his principal. The Board shall select one of the governors as Chairman, who shall hold office until the next regular meeting of the Board.

(b) The Board of Governors may delegate to the Board of Executive Directors all its powers except power to—

- (i) admit new members and determine the conditions of their admission;
- (ii) increase or decrease the authorized capital stock of the Bank and contributions to the Fund;
- (iii) elect the President of the Bank and determine his remuneration;



- (iv) suspend a member, pursuant to Article IX, Section 2;
  - (v) determine the remuneration of the executive directors and their alternates;
  - (vi) hear and decide any appeals from interpretations of this Agreement given by the Board of Executive Directors;
  - (vii) authorize the conclusion of general agreements for co-operation with other international organizations;
  - (viii) approve, after reviewing the auditors' report, the general balance sheet and the statement of profit and loss of the institution;
  - (ix) determine the reserves and the distribution of the net profits of the Bank and of the Fund;
  - (x) select outside auditors to certify to the general balance sheet and the statement of profit and loss of the institution;
  - (xi) amend this Agreement; and
  - (xii) decide to terminate the operations of the Bank and to distribute its assets.
- (c) The Board of Governors shall retain full power to exercise authority over any matter delegated to the Board of Executive Directors under paragraph (b) above.
- (d) The Board of Governors shall, as a general rule, hold a meeting annually. Other meetings may be held when the Board of Governors so provides or when called by the Board of Executive Directors. Meetings of the Board of Governors also shall be called by the Board of Executive Directors whenever requested by five members of the Bank or by members having one-fourth of the total voting power of the member countries.
- (e) A quorum for any meeting of the Board of Governors shall be an absolute majority of the total number of governors representing not less than two-thirds of the total voting power of the member countries.
- (f) The Board of Governors may establish a procedure whereby the Board of Executive Directors, when it deems such action appropriate, may submit a specific question to a vote of the governors without calling a meeting of the Board of Governors.
- (g) The Board of Governors, and the Board of Executive Directors to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Bank.
- (h) Governors and alternates shall serve as such without compensation from the Bank, but the Bank may pay them reasonable expenses incurred in attending meetings of the Board of Governors.

### SEC. 3. *Board of Executive Directors*

- (a) The Board of Executive Directors shall be responsible for the conduct of the operations of the Bank, and for this purpose may exercise all the powers delegated to it by the Board of Governors.
- (b) There shall be seven executive directors, who shall not be governors, and of whom—
- (i) one shall be appointed by the member having the largest number of shares in the Bank;
  - (ii) six shall be elected by the governors of the remaining members pursuant to the provisions of Annex C of this Agreement.
- Executive directors shall be appointed or elected for terms of three years and may be reappointed or reelected for successive terms. They

shall be persons of recognized competence and wide experience in economic and financial matters.

(c) Each executive director shall appoint an alternate who shall have full power to act for him when he is not present. Directors and alternates shall be citizens of the member countries. None of the elected directors and their alternates may be of the same citizenship. Alternates may participate in meetings but may vote only when they are acting in place of their principals.

(d) Directors shall continue in office until their successors are appointed or elected. If the office of an elected director becomes vacant more than 180 days before the end of his term, a successor shall be elected for the remainder of the term by the governors who elected the former director. An absolute majority of the votes cast shall be required for election. While the office remains vacant, the alternate shall have all the powers of the former director except the power to appoint an alternate.

(e) The Board of Executive Directors shall function in continuous session at the principal office of the Bank and shall meet as often as the business of the Bank may require.

(f) A quorum for any meeting of the Board of Executive Directors shall be an absolute majority of the total number of directors representing not less than two-thirds of the total voting power of the member countries.

(g) A member of the Bank may send a representative to attend any meeting of the Board of Executive Directors when a matter especially affecting that member is under consideration. Such right of representation shall be regulated by the Board of Governors.

(h) The Board of Executive Directors may appoint such committees as it deems advisable. Membership of such committees need not be limited to governors, directors, or alternates.

(i) The Board of Executive Directors shall determine the basic organization of the Bank, including the number and general responsibilities of the chief administrative and professional positions of the staff, and shall approve the budget of the Bank.

#### SEC. 4. *Voting*

(a) Each member country shall have 135 votes plus one vote for each share of the capital stock of the Bank held by that country.

(b) In voting in the Board of Governors, each governor shall be entitled to cast the votes of the member country which he represents. Except as otherwise specifically provided in this Agreement, all matters before the Board of Governors shall be decided by a majority of the total voting power of the member countries.

(c) In voting in the Board of Executive Directors—

(i) the appointed director shall be entitled to cast the number of votes of the member country which appointed him;

(ii) each elected director shall be entitled to cast the number of votes that counted toward his election, which votes shall be cast as a unit; and

(ii) except as otherwise specifically provided in this Agreement, all matters before the Board of Executive Directors shall be decided by a majority of the total voting power of the member countries.



**SEC. 5. *President, Executive Vice President, and Staff***

(a) The Board of Governors, by an absolute majority of the total number of governors representing not less than a majority of the total voting power of the member countries, shall elect a President of the Bank who, while holding office, shall not be a governor or an executive director or alternate for either.

Under the direction of the Board of Executive Directors, the President of the Bank shall conduct the ordinary business of the Bank and shall be chief of its staff. He also shall be the presiding officer at meetings of the Board of Executive Directors, but shall have no vote, except that it shall be his duty to cast a deciding vote when necessary to break a tie.

The President of the Bank shall be the legal representative of the Bank. The term of office of the President of the Bank shall be five years, and he may be reelected to successive terms. He shall cease to hold office when the Board of Governors so decides by a majority of the total voting power of the member countries.

(b) The Executive Vice President shall be appointed by the Board of Executive Directors on the recommendation of the President of the Bank. Under the direction of the Board of Executive Directors and the President of the Bank, the Executive Vice President shall exercise such authority and perform such functions in the administration of the Bank as may be determined by the Board of Executive Directors. In the absence or incapacity of the President of the Bank, the Executive Vice President shall exercise the authority and perform the functions of the President.

The Executive Vice President shall participate in meetings of the Board of Executive Directors but shall have no vote at such meetings, except that he shall cast the deciding vote, as provided in paragraph (a) of this section, when he is acting in place of the President of the Bank.

(c) In addition to the Vice President referred to in Article IV, Section 8(b), the Board of Executive Directors may, on recommendation of the President of the Bank, appoint other vice presidents who shall exercise such authority and perform such functions as the Board of Executive Directors may determine.

(d) The President, officers, and staff of the Bank, in the discharge of their offices, owe their duty entirely to the Bank and shall recognize no other authority. Each member of the Bank shall respect the international character of this duty.

(e) The paramount consideration in the employment of the staff and in the determination of the conditions of service shall be the necessity of securing the highest standards of efficiency, competence, and integrity. Due regard shall be paid to the importance of recruiting the staff on as wide a geographical basis as possible.

(f) The Bank, its officers and employees shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purpose and functions stated in Article I.



*SEC. 6. Publication of Reports and Provision of Information*

(a) The Bank shall publish an annual report containing an audited statement of the accounts. It shall also transmit quarterly to the members a summary statement of the financial position and a profit-and-loss statement showing the results of its ordinary operations.

(b) The Bank may also publish such other reports as it deems desirable to carry out its purpose and functions.

## ARTICLE IX. WITHDRAWAL AND SUSPENSION OF MEMBERS

*SECTION 1. Rights To Withdraw*

Any member may withdraw from the Bank by delivering to the Bank at its principal office written notice of its intention to do so. Such withdrawal shall become finally effective on the date specified in the notice but in no event less than six months after the notice is delivered to the Bank. However, at any time before the withdrawal becomes finally effective, the member may notify the Bank in writing of the cancellation of its notice of intention to withdraw.

After withdrawing, a member shall remain liable for all direct and contingent obligations to the Bank to which it was subject at the date of delivery of the withdrawal notice, including those specified in Section 3 of this article. However, if the withdrawal becomes finally effective, the member shall not incur any liability for obligations resulting from operations of the Bank effected after the date on which the withdrawal notice was received by the Bank.

*SEC. 2. Suspension of Membership*

If a member fails to fulfill any of its obligations to the Bank, the Bank may suspend its membership by decision of the Board of Governors by a two-thirds majority of the total number of governors representing not less than three-fourths of the total voting power of the member countries.

The member so suspended shall automatically cease to be a member of the Bank one year from the date of its suspension unless the Board of Governors decides by the same majority to terminate the suspension.

While under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the right of withdrawal, but shall remain subject to all its obligations.

*SEC. 3. Settlement of Accounts*

(a) After a country ceases to be a member, it no longer shall share in the profits or losses of the Bank, nor shall it incur any liability with respect to loans and guarantees entered into by the Bank thereafter. However, it shall remain liable for all amounts it owes the Bank and for its contingent liabilities to the Bank so long as any part of the loans or guarantees contracted by the Bank before the date on which the country ceased to be a member remains outstanding.

(b) When a country ceases to be a member, the Bank shall arrange for the repurchase of such country's capital stock as a part of the settlement of accounts pursuant to the provisions of this section; but the country shall have no other rights under this Agreement except as provided in this section and in Article XIII, Section 2.

(c) The Bank and the country ceasing to be a member may agree on the repurchase of the capital stock on such terms as are deemed appro-

priate in the circumstances, without regard to the provisions of the following paragraph. Such agreement may provide, among other things, for a final settlement of all obligations of the country to the Bank.

(d) If the agreement referred to in the preceding paragraph has not been consummated within six months after the country ceases to be a member or such other time as the Bank and such country may agree upon, the repurchase price of such country's capital stock shall be its book value, according to the books of the Bank, on the date when the country ceased to be a member. Such repurchase shall be subject to the following conditions:

(i) As a prerequisite for payment, the country ceasing to be a member shall surrender its stock certificates, and such payment may be made in such installments, at such times and in such available currencies as the Bank determines, taking into account the financial position of the Bank.

(ii) Any amount which the Bank owes the country for the repurchase of its capital stock shall be withheld to the extent that the country or any of its subdivisions or agencies remains liable to the Bank as a result of loan or guarantee operations. The amount withheld may, at the option of the Bank, be applied on any such liability as it matures. However, no amount shall be withheld on account of the country's contingent liability for future calls on its subscription pursuant to Article II, Section 4(a) (ii).

(iii) If the Bank sustains net losses on any loans or participations, or as a result of any guarantees, outstanding on the date the country ceased to be a member, and the amount of such losses exceeds the amount of the reserves provided therefor on such date, such country shall repay on demand the amount by which the repurchase price of its shares would have been reduced, if the losses had been taken into account when the book value of the shares, according to the books of the Bank, was determined. In addition, the former member shall remain liable on any call pursuant to Article II, Section 4(a) (ii), to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its share had been determined.

(e) In no event shall any amount due to a country for its shares under this section be paid until six months after the date upon which the country ceases to be a member. If within that period the Bank terminates operations, all rights of such country shall be determined by the provisions of Article X, and such country shall be considered still a member of the Bank for the purposes of such article except that it shall have no voting rights.

## ARTICLE X. SUSPENSION AND TERMINATION OF OPERATIONS

### SECTION 1. *Suspension of Operations*

In an emergency the Board of Executive Directors may suspend operations in respect of new loans and guarantees until such time as the Board of Governors may have an opportunity to consider the situation and take pertinent measures.

*SEC. 2. Termination of Operations*

The Bank may terminate its operations by a decision of the Board of Governors by a two-thirds majority of the total number of governors representing not less than three-fourths of the total voting power of the member countries. After such termination of operations the Bank shall forthwith cease all activities, except those incident to the conservation, preservation, and realization of its assets and settlement of its obligations.

*SEC. 3. Liability of Members and Payment of Claims*

(a) The liability of all members arising from the subscriptions to the capital stock of the Bank and in respect to the depreciation of their currencies shall continue until all direct and contingent obligations shall have been discharged.

(b) All creditors holding direct claims shall be paid out of the assets of the Bank and then out of payments to the Bank on unpaid or callable subscriptions. Before making any payments to creditors holding direct claims, the Board of Executive Directors shall make such arrangements as are necessary, in its judgment, to ensure a *pro rata* distribution among holders of direct and contingent claims.

*SEC. 4. Distribution of Assets*

(a) No distribution of assets shall be made to members on account of their subscriptions to the capital stock of the Bank until all liabilities to creditors shall have been discharged or provided for. Moreover, such distribution must be approved by a decision of the Board of Governors by a two-thirds majority of the total number of governors representing not less than three-fourths of the total voting power of the member countries.

(b) Any distribution of the assets of the Bank to the members shall be in proportion to capital stock held by each member and shall be effected at such times and under such conditions as the Bank shall deem fair and equitable. The shares of assets distributed need not be uniform as to type of assets. No member shall be entitled to receive its share in such a distribution of assets until it has settled all of its obligations to the Bank.

(c) Any member receiving assets distributed pursuant to this article shall enjoy the same rights with respect to such assets as the Bank enjoyed prior to their distribution.

## ARTICLE XI. STATUS, IMMUNITIES AND PRIVILEGES

*SECTION 1. Scope of Article*

To enable the Bank to fulfill its purpose and the functions with which it is entrusted, the status, immunities, and privileges set forth in this article shall be accorded to the Bank in the territories of each member.

*SEC. 2. Legal Status*

The Bank shall possess juridical personality and, in particular, full capacity—

- (a) to contract;
- (b) to acquire and dispose of immovable and movable property;
- and
- (c) to institute legal proceedings.



### SEC. 3. *Judicial Proceedings*

Actions may be brought against the Bank only in a court of competent jurisdiction in the territories of a member in which the Bank has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities.

No action shall be brought against the Bank by members or persons acting for or deriving claims from members. However, member countries shall have recourse to such special procedures to settle controversies between the Bank and its members as may be prescribed in this Agreement, in the bylaws and regulations of the Bank or in contracts entered into with the Bank.

Property and assets of the Banks shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

### SEC. 4. *Immunity of Assets*

Property and assets of the Bank, wherever located and by whomsoever held, shall be considered public international property and shall be immune from search, requisition, confiscation, expropriation or any other form of taking or foreclosure by executive or legislative action.

### SEC. 5. *Inviolability of Archives*

The archives of the Bank shall be inviolable.

### SEC. 6. *Freedom of Assets From Restrictions*

To the extent necessary to carry out the purpose and functions of the Bank and to conduct its operations in accordance with this Agreement, all property and other assets of the Bank shall be free from restrictions, regulations, controls and moratoria of any nature, except as may otherwise be provided in this Agreement.

### SEC. 7. *Privilege for Communications*

The official communications of the Bank shall be accorded by each member the same treatment that it accords to the official communications of other members.

### SEC. 8. *Personal Immunities and Privileges*

All governors, executive directors, alternates, officers and employees of the Bank shall have the following privileges and immunities:

(a) Immunity from legal process with respect to acts performed by them in their official capacity, except when the Bank waives this immunity.

(b) When not local nationals, the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange provisions as are accorded by members to the representatives, officials, and employees of comparable rank of other members.

(c) The same privileges in respect of traveling facilities as are accorded by members to representatives, officials, and employees of comparable rank of other members.

### SEC. 9. *Immunities From Taxation*

(a) The Bank, its property, other assets, income, and the operations and transactions it carries out pursuant to this Agreement, shall be immune from all taxation and from all customs duties. The Bank

shall also be immune from any obligation relating to the payment, withholding or collection of any tax, or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to executive directors, alternates, officials or employees of the Bank who are not local citizens or other local nationals.

(c) No tax of any kind shall be levied on any obligation or security issued by the Bank, including any dividend or interest thereon, by whomsoever held—

(i) which discriminates against such obligation or security solely because it is issued by the Bank; or

(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.

(d) No tax of any kind shall be levied on any obligation or security guaranteed by the Bank, including any dividend or interest thereon, by whomsoever held—

(i) which discriminates against such obligation or security solely because it is guaranteed by the Bank; or

(ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

#### SEC. 10. *Implementation*

Each member, in accordance with its juridical system, shall take such action as is necessary to make effective in its own territories the principles set forth in this article, and shall inform the Bank of the action which it has taken on the matter.

### ARTICLE XII. AMENDMENTS

(a) This Agreement may be amended only by decision of the Board of Governors by a two-thirds majority of the total number of governors representing not less than three-fourths of the total voting power of the member countries.

(b) Notwithstanding the provisions of the preceding paragraph, the unanimous agreement of the Board of Governors shall be required for the approval of any amendment modifying—

(i) the right to withdraw from the Bank as provided in Article IX, Section 1;

(ii) the right to purchase capital stock of the Bank and to contribute to the Fund as provided in Article II, Section 3(b) and in Article IV, Section 3(g), respectively; and

(iii) the limitation on liability as provided in Article II, Section 3(d) and Article IV, Section 5.

(c) Any proposal to amend this Agreement, whether emanating from a member or the Board of Executive Directors, shall be communicated to the Chairman of the Board of Governors, who shall bring the proposal before the Board of Governors. When an amendment has been adopted, the Bank shall so certify in an official communication addressed to all members. Amendments shall enter into force for all members three months after the date of the official communication unless the Board of Governors shall specify a different period.

## ARTICLE XIII. INTERPRETATION AND ARBITRATION

SECTION 1. *Interpretation*

(a) Any question of interpretation of the provisions of this Agreement arising between any member and the Bank or between any members of the Bank shall be submitted to the Board of Executive Directors for decision.

Members especially affected by the question under consideration shall be entitled to direct representation before the Board of Executive Directors as provided in Article VIII, Section 3 (g).

(b) In any case where the Board of Executive Directors has given a decision under (a) above, any member may require that the question be submitted to the Board of Governors, whose decision shall be final. Pending the decision of the Board of Governors, the Bank may, so far as it deems it necessary, act on the basis of the decision of the Board of Executive Directors.

SEC. 2. *Arbitration*

If a disagreement should arise between the Bank and a country which has ceased to be a member, or between the Bank and any member after adoption of a decision to terminate the operation of the Bank, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators. One of the arbitrators shall be appointed by the Bank, another by the country concerned, and the third, unless the parties otherwise agree, by the Secretary General of the Organization of American States. If all efforts to reach a unanimous agreement fail, decisions shall be made by a majority vote of the three arbitrators.

The third arbitrator shall be empowered to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

## ARTICLE XIV. GENERAL PROVISIONS

SECTION 1. *Principal Office*

The principal office of the Bank shall be located in Washington, District of Columbia, United States of America.

SEC. 2. *Relations With Other Organizations*

The Bank may enter into arrangements with other organizations with respect to the exchange of information or for other purposes consistent with this Agreement.

SEC. 3. *Channel of Communication*

Each member shall designate an official entity for purposes of communication with the Bank on matters connected with this Agreement.

SEC. 4. *Depositories*

Each member shall designate its central bank as a depository in which the Bank may keep its holdings of such member's currency and other assets of the Bank. If a member has no central bank, it shall, in agreement with the Bank, designate another institution for such purpose.

## ARTICLE XV. FINAL PROVISIONS

SECTION 1. *Signature and Acceptance*

(a) This Agreement shall be deposited with the General Secretariat of the Organization of American States, where it shall remain open until December 31, 1959, for signature by the representatives of the countries listed in Annex A. Each signatory country shall deposit with the General Secretariat of the Organization of American States an instrument setting forth that it has accepted or ratified this Agreement in accordance with its own laws and has taken the steps necessary to enable it to fulfill all of its obligations under this Agreement.

(b) The General Secretariat of the Organization of American States shall send certified copies of this Agreement to the members of the Organization and duly notify them of each signature and deposit of the instrument of acceptance or ratification made pursuant to the foregoing paragraph, as well as the date thereof.

(c) At the time the instrument of acceptance or ratification is deposited on its behalf, each country shall deliver to the General Secretariat of the Organization of American States, for the purpose of meeting administrative expenses of the Bank, gold or United States dollars equivalent to one-tenth of one percent of the purchase price of the shares of the Bank subscribed by it and of its quota in the Fund. This payment shall be credited to the member on account of its subscription and quota prescribed pursuant to Articles II, Section 4(a) (i), and IV, Section 3(d) (i). At any time on or after the date on which its instrument of acceptance or ratification is deposited, any member may make additional payments to be credited to the member on account of its subscription and quota prescribed pursuant to Articles II and IV. The General Secretariat of the Organization of American States shall hold all funds paid under this paragraph in a special deposit account or accounts and shall make such funds available to the Bank not later than the time of the first meeting of the Board of Governors held pursuant to Section 3 of this article. If this Agreement has not come into force by December 31, 1959, the General Secretariat of the Organization of American States shall return such funds to the countries that delivered them.

(d) On or after the date on which the Bank commences operations, the General Secretariat of the Organization of American States may receive the signature and the instrument of acceptance or ratification of this Agreement from any country whose membership has been approved in accordance with Article II, Section 1(b).

SEC. 2. *Entry Into Force*

(a) This Agreement shall enter into force when it has been signed and instruments of acceptance or ratification have been deposited, in accordance with Section 1(a) of this article, by representatives of countries whose subscriptions comprise not less than 85 percent of the total subscriptions set forth in Annex A.

(b) Countries whose instruments of acceptance or ratification were deposited prior to the date on which the agreement entered into force shall become members on that date. Other countries shall become members on the dates on which their instruments of acceptance or ratification are deposited.

### SEC. 3. *Commencement of Operations*

(a) The Secretary General of the Organization of American States shall call the first meeting of the Board of Governors as soon as this Agreement enters into force under Section 2 of this article.

(b) At the first meeting of the Board of Governors arrangements shall be made for the selection of the executive directors and their alternates in accordance with the provisions of Article VIII, Section 3, and for the determination of the date on which the Bank shall commence operations. Notwithstanding the provisions of Article VII, Section 3, the governors, if they deem it desirable, may provide that the first term to be served by such directors may be less than three years.

DONE at the city of Washington, District of Columbia, United States of America, in a single original, dated April 8, 1959, whose English, French, Portuguese, and Spanish texts are equally authentic.

### ANNEX A—SUBSCRIPTIONS TO AUTHORIZED CAPITAL STOCK OF THE BANK

[In shares of U.S. \$10,000 each]

Country	Paid-in capital shares	Callable shares	Total subscription
Argentina.....	5, 157	5, 157	10, 314
Bolivia.....	414	414	828
Brazil.....	5, 157	5, 157	10, 314
Chile.....	1, 416	1, 416	2, 832
Colombia.....	1, 415	1, 415	2, 830
Costa Rica.....	207	207	414
Cuba.....	1, 842	1, 842	3, 684
Dominican Republic.....	276	276	552
Ecuador.....	276	276	552
El Salvador.....	207	207	414
Guatemala.....	276	276	552
Haiti.....	207	207	414
Honduras.....	207	207	414
Mexico.....	3, 315	3, 315	6, 630
Nicaragua.....	207	207	414
Panama.....	207	207	414
Paraguay.....	207	207	414
Peru.....	691	691	1, 382
United States of America.....	15, 000	20, 000	35, 000
Uruguay.....	553	553	1, 106
Venezuela.....	2, 763	2, 763	5, 526
Total.....	40, 000	45, 000	85, 000



## ANNEX B—CONTRIBUTION QUOTAS FOR THE FUND FOR SPECIAL OPERATIONS

[In thousands of U.S. dollars]	
Country:	Quota
Argentina.....	10, 814
Bolivia.....	828
Brazil.....	10, 814
Chile.....	2,882
Colombia.....	2,880
Costa Rica.....	414
Cuba.....	3, 684
Dominican Republic.....	552
Ecuador.....	552
El Salvador.....	414
Guatemala.....	552
Haiti.....	414
Honduras.....	414
Mexico.....	6, 630
Nicaragua.....	414
Panama.....	414
Paraguay.....	414
Peru.....	1,382
United States of America.....	100, 000
Uruguay.....	1, 106
Venezuela.....	5, 526
Total.....	150, 000

## ANNEX C—ELECTION OF EXECUTIVE DIRECTORS

(a) The six executive directors referred to in Article VIII, Section 3(b)(ii) shall be elected by the governors eligible to vote for that purpose.

(b) Each governor shall cast in favor of a single person all the votes to which the member he represents is entitled under Article VIII, Section 4.

(c) In the first place, as many ballots as are necessary shall be taken until each of four candidates receives a number of votes that represents a percentage not less than the sum of the percentages appertaining to the country with the greatest voting power and to the country with the least voting power. For the purposes of this paragraph, the total voting power of the countries entitled to participate in the voting provided for under this annex shall be counted as 100 percent.

(d) In the second place, governors whose votes have not been cast in favor of any of the directors elected under paragraph (c) of this annex shall elect the other two directors on the basis of one vote for each governor. The two candidates who each receive a greater number of votes than any other candidate, on the same ballot, shall be elected executive directors, and the balloting shall be repeated until this occurs. After the balloting has been completed, each governor who did not vote for either of the candidates elected shall assign his vote to one of them.

The number of votes under Article VIII, Section 4, of each governor who has voted for or assigned his vote to a candidate elected hereunder shall be deemed for the purposes of Article VIII, Section 4(c)(ii) to have counted toward the election of such candidate.



REUNION DE JEFES DE ESTADO AMERICANOS  
MEETING OF AMERICAN CHIEFS OF STATE  
REUNION DES CHEFS D'ETAT AMERICAINS  
REUNIÃO DOS CHEFES DE ESTADO AMERICANOS



Punta del Este Uruguay  
12 al 14 de abril de 1967

Doc. 4 (English)  
14 April 1967

DECLARATION  
OF THE  
PRESIDENTS OF AMERICA



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DECLARATION  
OF THE  
PRESIDENTS OF AMERICA

THE PRESIDENTS OF THE AMERICAN STATES AND THE PRIME MINISTER OF TRINIDAD AND TOBAGO MEETING IN PUNTA DEL ESTE, URUGUAY,

RESOLVED to give more dynamic and concrete expression to the ideals of Latin American unity and of solidarity among the peoples of America, which inspired the founders of their countries;

DETERMINED to make this goal a reality within their own generation, in keeping with the economic, social and cultural aspirations of their peoples;

INSPIRED by the principles underlying the inter-American system, especially those contained in the Charter of Punta del Este, the Economic and Social Act of Rio de Janeiro, and the Protocol of Buenos Aires amending the Charter of the Organization of American States;

CONSCIOUS that the attainment of national and regional development objectives in Latin America is based essentially on self-help;

CONVINCED, however, that the achievement of those objectives requires determined collaboration by all their countries, complementary support through mutual aid, and expansion of external cooperation;

PLEDGED to give vigorous impetus to the Alliance for Progress and to emphasize its multilateral character, with a view to encouraging balanced development of the region at a pace substantially faster than attained thus far;

UNITED in the intent to strengthen democratic institutions, to raise the living standards of their peoples and to assure their increased participation in the development process, creating for these purposes suitable conditions in the political, economic and social as well as labor fields;

RESOLVED to maintain a harmony of fraternal relations in the Americas, in which racial equality must be effective;

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PROCLAIM

The solidarity of the countries they represent and their decision to achieve to the fullest measure the free, just, and democratic social order demanded by the peoples of the Hemisphere.

I

Latin America  
will create a  
common market

THE PRESIDENTS OF THE LATIN AMERICAN REPUBLICS resolve to create progressively, beginning in 1970, the Latin American Common Market, which shall be substantially in operation in a period of no more than fifteen years. The Latin American Common Market will be based on the complete development and progressive convergence of the Latin American Free Trade Association and of the Central American Common Market, taking into account the interests of the Latin American countries not yet affiliated with these systems. This great task will reinforce historic bonds, will promote industrial development and the strengthening of Latin American industrial enterprises, as well as more efficient production and new opportunities for employment, and will permit the region to play its deservedly significant role in world affairs. The ties of friendship among the peoples of the Continent will thus be strengthened.

THE PRESIDENT OF THE UNITED STATES OF AMERICA, for his part, declares his firm support for this promising Latin American initiative.

THE UNDERSIGNED PRESIDENTS AFFIRM THAT:

We will lay the  
physical foundations for  
Latin American  
economic integration through  
multinational  
projects.

Economic integration demands a major sustained effort to build a land transportation network and to improve transportation systems of all kinds so as to open the

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way for the movement of both people and goods throughout the Continent; to establish an adequate and efficient telecommunications system; to install inter-connected power systems; and to develop jointly international river basins, frontier regions, and economic areas which include the territory of two or more countries.

We will join in efforts to increase substantially Latin American foreign-trade earnings.

To increase substantially Latin American foreign-trade earnings, individual and joint efforts shall be directed toward facilitating non-discriminatory access of Latin American products in world markets, toward increasing Latin American earnings from traditional exports, toward avoiding frequent fluctuations in income from such commodities, and, finally, toward adopting measures that will stimulate exports of Latin American manufactured products.

We will modernize the living conditions of our rural populations, raise agricultural productivity in general, and increase food production for the benefit of both Latin America and the rest of the world.

The living conditions of the rural workers and farmers of Latin America will be transformed, to guarantee their full participation in economic and social progress. For that purpose, integrated programs of modernization, land settlement, and agrarian reform will be carried out as the countries so require. Similarly, productivity will be improved and agricultural production diversified. Furthermore, recognizing that the Continent's capacity for food production entails a dual responsibility, a special effort will be made to produce



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sufficient food for the growing needs of their own peoples and to contribute toward feeding the peoples of other regions.

We will vigorously promote education for development.

To give a decisive impetus to education for development, literacy campaigns will be intensified, education at all levels will be greatly expanded, and its quality improved so that the rich human potential of their peoples may make their maximum contribution to the economic, social, and cultural development of Latin America. Educational systems will be modernized taking full advantage of educational innovations, and exchanges of teachers and students will be increased.

We will harness science and technology for the service of our peoples.

Latin America will share in the benefits of current scientific and technological progress so as to reduce the widening gap between it and the highly industrialized nations in the areas of production techniques and of living conditions. National scientific and technological programs will be developed and strengthened and a regional program will be started; multinational institutes for advanced training and research will be established; existing institutes of this kind in Latin America will at the same time be strengthened and contributions will be made to the exchange and advancement of technological knowledge.

We will expand programs for improving the health of the American peoples.

The fundamental role of health in the economic and social development of Latin America demands that the prevention and control of communicable diseases be intensified and that measures be taken to eradicate those which can be completely eliminated by

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existing techniques. Also programs to supply drinking water and other services essential to urban and rural environmental sanitation will be speeded up.

Latin America  
will eliminate  
unnecessary  
military  
expenditures.

THE PRESIDENTS OF THE LATIN AMERICAN REPUBLICS, conscious of the importance of armed forces to the maintenance of security, recognize at the same time that the demands of economic development and social progress make it necessary to devote to those purposes the maximum resources available in Latin America.

Therefore, they express their intention to limit military expenditures in proportion to the actual demands of national security in accordance with each country's constitutional provisions avoiding those expenditures that are not indispensable for the performance of the specific duties of the armed forces and, where pertinent of international commitments that obligate their respective governments. With regard to the Treaty on the Banning of Nuclear Arms in Latin America they express the hope that it may enter into force as soon as possible once the requirements established by the Treaty are fulfilled.

IN FACING THE PROBLEMS CONSIDERED IN THIS MEETING, which constitute a challenge to the will of the American governments and peoples, the Presidents proclaim their faith in the basic purpose of the inter-American system: to promote in the Americas free and democratic societies existing under the rule of law whose dynamic economies reinforced by growing technological capabilities, will allow them to serve with ever-increasing effectiveness the peoples of the Continent, to whom they announce the following program.

\* When the term "Latin America" is used in this text, it is to be understood that it includes all the member states of the Organization of American States, except the United States of America. The term "Presidents" includes the Prime Minister of Trinidad and Tobago. The term "Continent" comprises both the continental and insular areas.

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## II

## ACTION PROGRAM

## CHAPTER I

LATIN AMERICAN ECONOMIC INTEGRATION  
AND INDUSTRIAL DEVELOPMENT.. Principles, objectives, and goals

Economic integration is a collective instrument for accelerating Latin American development and should constitute one of the policy goals of each of the countries of the region. The greatest possible efforts should be made to bring it about, as a necessary complement to national development plans.

At the same time, the different levels of development and economic and market conditions of the various Latin American countries must be borne in mind, in order that the integration process may promote their harmonious and balanced growth. In this respect, the countries of relatively less economic development, and, to the extent required, those of insufficient market, will have preferential treatment in matters of trade and of technical and financial cooperation.

Integration must be fully at the service of Latin America. This requires the strengthening of Latin American enterprise through vigorous financial and technical support that will permit it to develop and supply the regional market efficiently. Foreign private enterprise will be able to fill an important function in assuring achievement of the objectives of integration within the pertinent policies of each of the countries of Latin America.

Adequate financing is required to facilitate the economic restructuring and adjustments called for by the urgent need to accelerate integration.

It is necessary to adopt all measures that will lead to the completion of Latin American integration, above all those that will bring about, in the shortest time possible, monetary stability and the elimination of all restrictions, including administrative, financial, and exchange restrictions, that obstruct the trade of the products of the area.

To these ends, the Latin American Presidents, agree to take action on the following points:

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- a. Beginning in 1970, to establish progressively the Latin American Common Market, which should be substantially in operation within a period of no more than fifteen years.
- b. The Latin American Common Market will be based on the improvement of the two existing integration systems: the Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM). The two systems will initiate simultaneously a process of convergence by stages of cooperation, closer ties, and integration, taking into account the interest of the Latin American countries not yet associated with these systems, in order to provide their access to one of them.
- c. To encourage the incorporation of other countries of the Latin American region into the existing integration systems.

2. Measures with regard to the Latin American Free Trade Association (LAFTA)

The Presidents of the member states of LAFTA instruct their respective Ministers of Foreign Affairs, who will participate in the next meeting of the Council of Ministers of LAFTA, to be held in 1967, to adopt the measures necessary to implement the following decisions:

- a. To accelerate the process of converting LAFTA into a common market. To this end, starting in 1970, and to be completed in a period of not more than fifteen years, LAFTA will put into effect a system of programmed elimination of duties and all other nontariff restrictions, and also a system of tariff harmonization, in order to establish progressively a common external tariff at levels that will promote efficiency and productivity, as well as the expansion of trade.
- b. To coordinate progressively economic policies and instruments and to harmonize national laws to the extent required for integration. These measures will be adopted simultaneously with the improvement of the integration process.
- c. To promote the conclusion of sectoral agreements for industrial complementation, endeavoring to obtain the participation of the countries of relatively less economic development.
- d. To promote the conclusion of temporary subregional agreements, with provision for reducing tariffs within the subregions and harmonizing treatments toward third nations more rapidly than in the general agreements, in keeping with the objectives of regional integration. Subregional tariff reductions will not be extended to countries that are not parties to the subregional agreement, nor will they create special obligations for them.

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Participation of the countries of relatively less economic development in all stages of the integration process and in the formation of the Latin American Common Market will be based on the provisions of the Treaty of Montevideo and its complementary resolutions, and these countries will be given the greatest possible advantages, so that balanced development of the region may be achieved.

To this same end, they have decided to promote immediate action to facilitate free access of products of the LAFTA member countries of relatively less economic development to the market of the other LAFTA countries, and to promote the installation and financing in the former countries of industries intended for the enlarged market.

The countries of relatively less economic development will have the right to participate and to obtain preferential conditions in the subregional agreements in which they have an interest.

The situation of countries characterized as being of insufficient market shall be taken into account in temporary preferential treatments established, to the extent necessary to achieve a harmonious development in the integration process.

It is understood that all the provisions set forth in this section fall within or are based upon the Treaty of Montevideo.

3. Measures with regard to the Central American economic integration program

The Presidents of the member states of the Central American Common Market, commit themselves:

- a. To carry out an action program that will include the following measures, among others:
  - (1) Improvement of the customs union and establishment of a Central American monetary union;
  - (2) Completion of the regional network of infrastructure;
  - (3) Promotion of a common foreign-trade policy;
  - (4) Improvement of the common market in agricultural products and implementation of a joint, coordinated industrial policy;
  - (5) Acceleration of the process of free movement of manpower and capital within the area;
  - (6) Harmonization of the basic legislation required for economic integration.

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- b. To apply, in the implementation of the foregoing measures, and when pertinent, the temporary preferential treatment already established or that may be established, in accordance with the principle of balanced development among countries.
- c. To foster closer ties between Panama and the Central American Common Market, as well as rapid expansion of trade and investment relations with neighboring countries of the Central American and Caribbean region, taking advantage, to this end, of their geographic proximity and of the possibilities for economic complementation; also, to seek conclusion of subregional agreements and agreements of industrial complementation between Central America and other Latin American countries.

Measures common to Latin American countries

The Latin American Presidents commit themselves:

- a. Not to establish new restrictions on trade among Latin American countries, except in special cases, such as those arising from equalization of tariffs and other instruments of trade policy, as well as from the need to assure the initiation or expansion of certain productive activities in countries of relatively less economic development.
- b. To establish, by a tariff cut or other equivalent measures, a margin of preference within the region for all products originating in Latin American countries, taking into account the different degrees of development of the countries.
- c. To have the measures in the two preceding paragraphs applied immediately among the member countries of LAFTA, in harmony with the other measures referring to this organization contained in the present chapter and, insofar as possible, to extend them to non-member countries in a manner compatible with existing international commitments, inviting the latter countries to extend similar preference to the members of LAFTA, with the same qualification.
- d. To ensure that application of the foregoing measures shall not hinder internal readjustments designed to rationalize the instruments of trade policy made necessary in order to carry out national development plans and to achieve the goals of integration.
- e. To promote acceleration of the studies already initiated regarding preferences that LAFTA countries might grant to imports from the Latin American countries that are not members of the Association.
- f. To have studies made of the possibility of concluding agreements of industrial complementation in which all Latin American countries may participate, as well as temporary subregional economic integration agreements between the CACM and member countries of LAFTA.

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- g. To have a committee established composed of the executive organs of LAFTA and the CACM to coordinate implementation of the foregoing points. To this end, the committee will encourage meetings at the ministerial level, in order to ensure that Latin American integration will proceed as rapidly as possible, and, in due course, initiate negotiation of a general treaty or the protocols required to create the Latin American Common Market. Latin American countries that are not members shall be invited to send representatives to these meetings and to those of the committee of the executive organs of LAFTA and the CACM.
  - h. To give special attention to industrial development within integration, and particularly to the strengthening of Latin American industrial firms. In this regard, we reiterate that development must be balanced between investments for economic ends and investments for social ends.
5. Measures common to member countries of the Organization of American States (OAS)

The Presidents of the member states of the OAS, agree:

- a. To mobilize financial and technical resources within and without the hemisphere to contribute to the solution of problems in connection with the balance of payments, industrial readjustments, and retraining of the labor force that may arise from a rapid reduction of trade barriers during the period of transition toward the common market, as well as to increase the sums available for export credits in intra-Latin American trade. The Inter-American Development Bank and the organs of both existing integration systems should participate in the mobilization of such resources.
- b. To mobilize public and private resources within and without the hemisphere to encourage industrial development as part of the integration process and of national development plans.
- c. To mobilize financial and technical resources to undertake specific feasibility studies on multinational projects for Latin American industrial firms, as well as to aid in carrying out these projects.
- d. To accelerate the studies being conducted by various inter-American agencies to promote strengthening of capital markets and the possible establishment of a Latin American stock market.

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- e. To make available to Central America, within the Alliance for Progress, adequate technical and financial resources, including those required for strengthening and expanding the existing Central American Economic Integration Fund, for the purpose of accelerating the Central American economic integration program..
- f. To make available, within the Alliance for Progress and pursuant to the provisions of the Charter of Punta del Este, the technical and financial resources needed to accelerate the preparatory studies and work involved in converting LAFTA into a common market.

## CHAPTER II

### MULTINATIONAL ACTION FOR INFRASTRUCTURE PROJECTS

The economic integration of Latin America demands a vigorous and sustained effort to complete and modernize the physical infrastructure of the region. It is necessary to build a land transport network and improve all types of transport systems to facilitate the movement of persons and goods throughout the hemisphere; to establish an adequate and efficient telecommunications system and interconnected power systems; and jointly to develop international watersheds, frontier regions and economic areas that include the territory of two or more countries. In Latin America there are in existence projects in all these fields, at different stages of preparation or implementation, but in many cases the completion of prior studies, financial resources, or merely the coordination of efforts and the decision to bring them to fruition are lacking.

The Presidents of the member states of the OAS agree to engage in determined action to undertake or accelerate the construction of the infrastructure required for the development and integration of Latin America and to make better use thereof. In so doing, it is essential that the groups of interested countries or multinational institutions determine criteria for assigning priorities in view of the amount of human and material resources needed for the task.

As one basis for the criteria, which will be determined with precision upon consideration of the specific cases submitted for study, they stress the fundamental need to give preferential attention to those projects that benefit the countries of the region that are at a relatively lower level of economic development.

Priority should also be given to the mobilization of financial and technical resources for the preparation and implementation of infrastructure projects that will facilitate the participation of landlocked countries in regional and international trade.



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In consequence, they adopt the following decisions for immediate implementation:

1. To complete the studies and conclude the agreements necessary to accelerate the construction of an inter-American telecommunications network.

2. To expedite the agreements necessary to complete the Pan American Highway, to accelerate the construction of the Bolivarian Highway (Carretera Marginal de la Selva) and its junction with the Trans-Chaco Highway and to support the studies and agreements designed to bring into being the new highway systems that will join groups of countries of continental and insular Latin America, as well as the basic works required to develop water and airborne transport of a multinational nature and the corresponding systems of operation. As a complement to these agreements, negotiations should be undertaken for the purpose of eliminating or reducing to a minimum the restrictions on international traffic and of promoting technical and administrative cooperation among land, water, and air transport enterprises and the establishment of multinational transport services.

3. To sponsor studies for preparing joint projects in connection with watersheds, such as the studies commenced on the development of the River Plate basin and that relating to the Gulf of Fonseca.

4. To allocate sufficient resources to the Preinvestment Fund for Latin American Integration of the IDB for conducting studies that will make it possible to identify and prepare multinational projects in all fields that may be of importance in promoting regional integration. In order that the aforesaid Fund may carry out an effective promotion effort, it is necessary that an adequate part of the resources allocated may be used without reimbursement, or with reimbursement conditioned on the execution of the corresponding projects.

5. To mobilize, within and outside the hemisphere, resources in addition to those that will continue to be placed at the disposal of the countries to support national economic development programs, such resources to be devoted especially to the implementation of multinational infrastructure projects that can represent important advances in the Latin American economic integration process. In this regard, the IDB should have additional resources in order to participate actively in the attainment of this objective.

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## CHAPTER III

MEASURES TO IMPROVE INTERNATIONAL TRADE CONDITIONS  
IN LATIN AMERICA

The economic development of Latin America is seriously affected by the adverse conditions in which its international trade is carried out. Market structures, financial conditions, and actions that prejudice exports and other income from outside Latin America are impeding its growth and retarding the integration process. All this causes particular concern in view of the serious and growing imbalance between the standard of living in Latin American countries and that of the industrialized nations and, at the same time, calls for definite decisions and adequate instruments to implement the decisions.

Individual and joint efforts of the member states of the OAS are essential to increase the incomes of Latin American countries derived from, and to avoid frequent fluctuations in, traditional exports, as well as to promote new exports. Such efforts are also essential to reduce any adverse effects on the external earnings of Latin American countries that may be caused by measures which may be taken by industrialized countries for balance of payments reasons.

The Charter of Punta del Este, the Economic and Social Act of Rio de Janeiro and the new provisions of the Charter of the OAS reflect a hemispheric agreement with regard to these problems, which needs to be effectively implemented; therefore, the Presidents of the member states of the OAS agree:

1. To act in coordination in multilateral negotiations to achieve, without the more highly developed countries' expecting reciprocity, the greatest possible reduction or the elimination of tariffs and other restrictions that impede the access of Latin American products to world markets. The Government of the United States intends to make efforts for the purpose of liberalizing the conditions affecting exports of basic products of special interest to Latin American countries, in accordance with the provisions of Article 37.a) of the Protocol of Buenos Aires.
2. To consider together possible systems of general nonreciprocal preferential treatment for exports of manufactures and semimanufactures of the developing countries, with a view to improving the condition of the Latin American export trade.
3. To undertake a joint effort in all international institutions and organizations to eliminate discriminatory preferences against Latin American exports.

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4. To strengthen the system of intergovernmental consultations and carry them out sufficiently in advance, so as to render them effective and ensure that programs for placing and selling surpluses and reserves that affect the exports of the developing countries take into account the interests of the Latin American countries.

5. To ensure compliance with international commitments to refrain from introducing or increasing tariff and nontariff barriers that affect exports of the developing countries, taking into account the interests of Latin America.

6. To combine efforts to strengthen and perfect existing international agreements, particularly the International Coffee Agreement, to obtain favorable conditions for trade in basic products of interest to Latin America and to explore all possibilities for the development of new agreements.

7. To support the financing and prompt initiation of the activities of the Coffee Diversification Fund, and consider in due course the creation of other funds to make it possible to control the production of basic products of interest to Latin America in which there is a chronic imbalance between supply and demand.

8. To adopt measures to make Latin American export products more competitive in world markets.

9. To put in operation as soon as possible an inter-American agency for export promotion that will help to identify and develop new export lines and to strengthen the placing of Latin American products in international markets, and to improve national and regional agencies designed for the same purpose.

10. To initiate such individual or joint action on the part of the member states of the OAS as may be required to ensure effective and timely execution of the foregoing agreements, as well as those that may be required to continue the execution of the agreements contained in the Charter of Punta del Este, in particular those relating to foreign trade.

With regard to joint action, the Inter-American Committee on the Alliance for Progress (CIAP) and other agencies in the region shall submit to the Inter-American Economic and Social Council (IA-ECOSOC), for consideration at its next meeting, the means, instruments, and action program for initiating execution thereof.

At its annual meetings, IA-ECOSOC shall examine the progress of the programs under way with the object of considering such action as may ensure compliance with the agreements concluded, inasmuch as a substantial improvement in the international conditions in which Latin American foreign trade is carried on is a basic prerequisite to the acceleration of economic development.

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## CHAPTER IV

MODERNIZATION OF RURAL LIFE AND INCREASE OF AGRICULTURAL  
PRODUCTIVITY, PRINCIPALLY OF FOOD

In order to promote a rise in the standard of living of farmers and an improvement in the condition of the Latin American rural people and their full participation in economic and social life, it is necessary to give greater dynamism to agriculture in Latin America, through comprehensive programs of modernization, land settlement, and agrarian reform when required by the countries.

To achieve these objectives and to carry out these programs, contained in the Charter of Punta del Este, it is necessary to intensify internal efforts and to provide additional external resources.

Such programs will be oriented toward increasing food production in the Latin American countries in sufficient volume and quality to provide adequately for their population and to meet world needs for food to an ever-increasing extent, as well as toward improving agricultural productivity and toward a diversification of crops, which will assure the best possible competitive conditions for such production.

All these development efforts in agriculture must be related to the overall development of the national economies in order to harmonize the supply of agricultural products and the labor that could be freed as a result of the increase in farm productivity with the increase in demand for such products and with the need for labor in the economy as a whole.

This modernization of agricultural activities will furthermore create conditions for a development more in balance with the effort toward industrialization.

To achieve these goals, the Latin American Presidents undertake:

1. To improve the formulation and execution of agricultural policies and to ensure the carrying out of plans, programs, and projects for preinvestment, agricultural development, agrarian reform, and land settlement, adequately coordinated with national economic development plans, in order to intensify internal efforts and to facilitate obtaining and utilizing external financing.
2. To improve credit systems, including those earmarked for the resettlement of rural workers who are beneficiaries of agrarian reform, and for increased productivity, and to create facilities for the production, marketing, storage, transportation, and distribution of agricultural products

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3. To provide adequate incentives, including price incentives, to promote agricultural production under economic conditions.

4. To foster and to finance the acquisition and intensive use of those agricultural inputs which contribute to the improvement of productivity, as well as the establishment and expansion of Latin American industries producing agricultural inputs, particularly fertilizers, pesticides, and agricultural machinery.

5. To ensure the adequacy of tax systems that affect the agricultural sector, so that they may contribute to the increase of productivity, more production, and better land distribution.

6. To expand substantially programs of specialized education and research and of agricultural extension, in order to improve the training of the rural worker and the education of technical and professional personnel, and, also, to intensify animal and plant sanitation campaigns.

7. To provide incentives and to make available financial resources for the industrialization of agricultural production, especially through the development of small and medium industry and the promotion of exports of processed agricultural products.

8. To facilitate the establishment of multinational or international programs that will make it possible for Latin America to supply a larger proportion of world food needs.

9. To foster national programs of community development and of self-help for small-scale farmers, and to promote the creation and strengthening of agricultural cooperatives.

By recognizing the importance of the stated objectives, goals and means, the Presidents of the member states of the OAS undertake, within the spirit of the Alliance for Progress, to combine intensified internal efforts with additional external support especially earmarked for such measures.

They call upon CIAP, when analyzing the agricultural sector as included in national development plans, to bear in mind the objectives and measures indicated herein, giving due attention to agrarian reform programs in those countries that consider these programs an important basis for their agricultural progress and economic and social development.

## CHAPTER V

EDUCATIONAL, TECHNOLOGICAL, AND SCIENTIFIC  
DEVELOPMENT AND INTENSIFICATION OF HEALTH PROGRAMSA. Education and Culture

Education is a sector of high priority in the overall development policy of Latin American nations.

The Presidents of the member states of the OAS recognize that, during the past decade, there has been development of educational services in Latin America unparalleled in any other period of the history of their countries.

Nevertheless, it must be admitted that:

- a. It is necessary to increase the effectiveness of national efforts in the field of education;
- b. Educational systems should be more adequately adjusted to the demands of economic, social, and cultural development;
- c. International cooperation in educational matters should be considerably intensified, in accordance with the new standards of the Charter of the OAS.

To these ends, they agree to improve educational administrative and planning systems; to raise the quality of education so as to stimulate the creativity of each pupil; to accelerate expansion of educational systems at all levels; and to assign priority to the following activities related to economic, social, and cultural development:

1. Orientation and, when necessary, reorganization of educational systems, in accordance with the needs and possibilities of each country, in order to achieve:
  - a. The expansion and progressive improvement of preschool education and extension of the period of general education;
  - b. An increase in the capacity of secondary schools and the improvement of their curricula;
  - c. An increase in opportunities following general education, including opportunities for learning a trade or a specialty or for continuing general education;

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- d. The gradual elimination of barriers between vocational and general education;
  - e. The expansion and diversification of university courses, so that they will include the new professions essential to economic and social development;
  - f. The establishment or expansion of graduate courses through professional schools;
  - g. The establishment of refresher courses in all branches and types of education, so that graduates may keep their knowledge up to date in this era of rapid scientific and technological progress;
  - h. The strengthening and expansion of adult education programs;
  - i. The promotion of special education for exceptional students.
2. Promotion of basic and advanced training for teachers and administrative personnel; development of educational research and experimentation, and adequate expansion of school building programs.
  3. Broadening of the use of educational television and other modern teaching techniques.
  4. Improvement of rural elementary schools to achieve a level of quality equal to that of urban elementary schools, with a view to assuring equal educational opportunities to the rural population.
  5. Reorganization of vocational education, when necessary, taking into account the structure of the labor force and the foreseeable manpower needs of each country's development plan.
  6. An increase in private financing of education.
  7. Encouragement of local and regional communities to take an effective part in the construction of school buildings and in civic support to educational development.
  8. A substantial increase in national scholarship and student loan and aid programs.
  9. Establishment or expansion of extension services and services for preserving the cultural heritage and encouraging intellectual and artistic activity.
  10. Strengthening of education for international understanding and Latin American integration.

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Multinational efforts

1. Increasing international resources for the purposes set forth in this chapter.
2. Instructing the appropriate agencies of the OAS to:
  - a. Provide technical assistance to the countries that so request:
    - i) In educational research, experimentation, and innovation;
    - ii) For training of specialized personnel;
    - iii) In educational television. It is recommended that study be made of the advisability of establishing a multinational training center in this field;
  - b. Organize meetings of experts to recommend measures to bring national curricula into harmony with Latin American integration goals;
  - c. Organize regional volunteer teacher programs;
  - d. Extend inter-American cooperation to the preservation and use of archeological, historic, and artistic monuments.
3. Expansion of OAS programs for fellowships, student loans, and teacher exchange.

National educational and cultural development efforts will be evaluated in coordination by CIAP and the Inter-American Council for Education, Science, and Culture (now the Inter-American Cultural Council).

**B. Science and technology**

Advances in scientific and technological knowledge are changing the economic and social structure of many nations. Science and technology offer infinite possibilities for providing the people with the well-being that they seek. But in Latin American countries the potentialities that this wealth of the modern world offers have by no means been realized to the degree and extent necessary.

Science and technology offer genuine instruments for Latin American progress and must be given an unprecedented impetus at this time. This effort calls for inter-American cooperation, in view of the magnitude of the investments required and the level attained in such knowledge. In the same way, their organization and implementation in each country cannot be effected without a properly planned scientific and technological policy within the general framework of development.



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For the above reasons the Presidents of the member states of the OAS agree upon the following measures:

#### Internal efforts

Establishment, in accordance with the needs and possibilities of each country, of national policies in the field of science and technology, with the necessary machinery and funds, the main elements of which shall be:

1. Promotion of professional training for scientists and technicians and an increase in their numbers.
2. Establishment of conditions favoring full utilization of the scientific and technological potential for solving the economic and social problems of Latin America, and to prevent the exodus of persons qualified in these fields.
3. Encouragement of increased private financial contributions for scientific and technological research and teaching.

#### Multinational efforts

1. Establishment of a Regional Scientific and Technological Development Program designed to advance science and technology to a degree that they will contribute substantially to accelerating the economic development and well-being of their peoples and make it feasible to engage in pure and applied scientific research of the highest possible quality. This Program shall complement Latin American national programs in the area of science and technology and shall take special account of the characteristics of each of the countries.
2. The Program shall be oriented toward the adoption of measures to promote scientific and technological research, teaching, and information; basic and advanced training of scientific personnel; and exchange of information. It shall promote intensively the transfer to, and adaptation by, the Latin American countries of knowledge and technologies originating in other regions.
3. The Program shall be conducted through national agencies responsible for scientific and technological policy, through institutions—national or international, public or private—either now existing or to be established in the future.
4. As part of the Program, they propose that multinational technological and scientific training and research institutions at the post-graduate level be established, and that institutions of this nature already existing in Latin America be strengthened. A group, composed of high-ranking, qualified persons, experienced in science, technology, and university education, shall be established to make recommendations to the Inter-American

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Council for Education, Science, and Culture (now the Inter-American Cultural Council) on the nature of such multinational institutions, including such matters as their organization, the characteristics of their multinational administration, financing, location, coordination of their activities among themselves and with those of pertinent national institutions, and on the other aspects of their operation. The aforementioned group, selected and convoked by the Inter-American Council for Education, Science, and Culture (now the Inter-American Cultural Council) or, failing this, by CIAP, shall meet within 120 days after the close of this meeting.

5. In order to encourage the training of scientific and technological personnel at the higher academic levels, they resolve that an Inter-American Fund for Scientific and Technological Training shall be established as part of the Program, so that scientists and research workers from Latin American countries may pursue advanced scientific and technological studies, with the obligation to engage in a period of scientific work in Latin America.

6. The Program shall be promoted by the Inter-American Council for Education, Science, and Culture (now the Inter-American Cultural Council), in cooperation with CIAP. They shall coordinate their activities with similar activities of the United Nations and other interested organizations.

7. The Program may be financed by contributions of the member states of the inter-American system, inter-American or international institutions, technologically advanced countries, universities, foundations, and private individuals.

#### C. Health

Improvement of health conditions is fundamental to the economic and social development of Latin America.

Available scientific knowledge makes it possible to obtain specific results, which, in accordance with the needs of each country and the provisions of the Charter of Punta del Este, should be utilized to attain the following objectives:

- a. Control of communicable diseases and eradication of those for which methods for total elimination exist. Pertinent programs shall receive international coordination when necessary.
- b. Acceleration of programs for providing drinking-water supplies, sewerage, and other services essential to environmental sanitation in rural and urban areas, giving preference to lower-income groups. On the basis of studies carried out and with the cooperation of international financing agencies, national revolving fund systems shall be used to assure the continuity of such programs.

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- c. Greater and more rapid progress in improving nutrition of the neediest groups of the population, taking advantage of all possibilities offered by national effort and international cooperation.
- d. Promotion of intensive mother and child welfare programs and of educational programs on overall family guidance methods..
- e. Priority for basic and advanced training of professional, technical, administrative, and auxiliary personnel, and support of operational and administrative research in the field of health.
- f. Incorporation, as early as the preinvestment phase, of national and regional health programs into general development plans.

The Presidents of the member states of the OAS, therefore, decide:

- 1. To expand, within the framework of general planning, the preparation and implementation of national plans that will strengthen infrastructure in the field of health.
- 2. To mobilize internal and external resources to meet the needs for financing these plans. In this connection, to call upon CIAP, when analyzing the health sector in national development programs, to take into account the objectives and needs indicated.
- 3. To call upon the Pan American Health Organization to cooperate with the governments in the preparation of specific programs relating to these objectives.

#### CHAPTER VI

##### ELIMINATION OF UNNECESSARY MILITARY EXPENDITURES

The Latin American Presidents, conscious of the importance of the armed forces in maintaining security, at the same time recognize that the demands of economic development and social progress make it necessary to apply the maximum resources available in Latin America to these ends.

Consequently, they express their intention to limit military expenditures in proportion to the actual demands of national security, in accordance with each country's constitutional provisions, avoiding those expenditures that are not indispensable for the performance of the specific duties of the armed forces and, where pertinent, of international commitments that obligate their respective governments.

With regard to the Treaty on the Banning of Nuclear Arms in Latin America, they express the hope that it may enter into force as soon as possible, once the requirements established by the Treaty are fulfilled.

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DONE at Punta del Este, Uruguay, in the English, French, Portuguese, and Spanish languages, this Pan American Day, the fourteenth of April of the year one thousand nine hundred sixty-seven, the seventy-seventh anniversary of the founding of the inter-American system.

[Here follow the signatures]

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the Organization of American States to be affixed.

José A. Mora  
Secretary General

NATIONAL ADVISORY COUNCIL  
on International Monetary  
and Financial Policies

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SPECIAL REPORT

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to the President  
and to the Congress

ON THE PROPOSED EXPANSION OF  
THE FUND FOR SPECIAL OPERATIONS  
AND ON  
THE PROPOSED MODIFICATION OF PROVISIONS  
FOR THE ELECTION OF EXECUTIVE DIRECTORS  
OF  
THE INTER-AMERICAN DEVELOPMENT BANK

APRIL 1967

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- G. Financial Statements of the FSO, December 31, 1966. (See Inter-American Development Bank-7th Annual Report, Pages 78-89.)
- H. Loan Statements of the FSO, December 31, 1966. (See Inter-American Bank-7th Annual Report, Pages 90-105.)

### I. SUMMARY OF PROPOSALS AND RECOMMENDATION

At its Eighth Annual Meeting, held in Washington, D. C. April 24-28, 1967, the Board of Governors of the Inter-American Development Bank unanimously recommended (Annex A) that the member governments approve an expansion of the Bank's Fund for Special Operations (FSO) by \$1.2 billion, of which the U. S. share would be \$900 million and an expansion of the Bank's Ordinary Callable Capital by \$1.0 billion, of which the U. S. share would be \$411.8 million.

This report deals with the proposed increase in the resources of the Fund for Special Operations, for which legislation is being sought at this time. The increase in the Bank's Ordinary Callable Capital will not be necessary until 1968, at which time appropriate legislation will be requested.

The proposed increase of \$1.2 billion in the resources of the FSO would be payable by the members in three equal and consecutive annual installments beginning not later than December 31, 1967. The new resources would make it possible to sustain an adequate level of FSO loan operations during the three-year period from approximately early 1968 until early 1971. The \$300 million annual U. S. contribution represents an increase of \$50 million over the current level of \$250 million and will permit the Bank to expand high priority activities in the fields of agriculture, education, and health, and to undertake new initiatives in the field of multi-national project financing, in accord with the Declaration of The Presidents of America at their April 1967 meeting.

The Board of Governors at the Eighth Annual Meeting also adopted a resolution (Annex D) contemplating an amendment to Annex C of the Agreement Establishing the Bank to permit a modification of the provisions which presently govern the election of Executive Directors. This Amendment

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would improve the procedures under which six Executive Directors are elected by the Latin American members without the participation of the United States. The U. S. representation and voting power in the Bank would in no way be affected.

The National Advisory Council strongly recommends prompt adoption of legislation to authorize the U. S. Governor of the Inter-American Development Bank - the Secretary of the Treasury - to vote in favor of the Proposed Resolution on the Increase of the Resources of the Fund for Special Operations (Annex B) and the Proposed Resolution on Provisions for the Election of Executive Directors (Annex E), as unanimously recommended by the Board of Governors at its Eighth Annual Meeting.

## II. BACKGROUND

### A. The Inter-American Development Bank

The Inter-American Development Bank came into being in 1959, began operations in 1960, and made its first loan in 1961. Its membership includes all of the members of the Organization of American States. (Cuba is no longer eligible to join the Bank). At the April 1967 Annual Meeting, the Board of Governors approved the admission to membership of Trinidad and Tobago, the first new member since the Bank was established with an original membership of twenty nations.

The establishment of the Bank preceded the 1960 Act of Bogota and the 1961 Charter of Punta del Este, and the Bank's Charter foreshadowed the principles of self-help and mutual cooperation now firmly established as basic elements of the Alliance for Progress.



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With the establishment of the Inter-American Committee on the Alliance for Progress (CIAP) at the 1963 Annual Meeting of The Inter-American Economic and Social Council, the Bank was declared to be "the technical arm of the Committee in matters concerning financing of Latin American development." The Inter-American Development Bank has in a very real sense become the "Bank of the Alliance" - providing leadership as well as funds for the economic and social advancement of Latin America.

The Bank has assumed an important and growing role in Latin American development, both from the point of view of actual project financing and from the point of view of development planning and programming. The Bank places major emphasis on the planning and financing of sound economic and social projects. In its lending decisions, it applies both rigorous project criteria and broader criteria of economic performance and self-help by the borrowing country.

The Bank carries out its lending operations through two "windows," the Ordinary Capital and the Fund for Special Operations (FSO). Since 1961, the Bank has also administered the Social Progress Trust Fund (SPTF) on behalf of the United States.

The Ordinary Capital of the Bank extends loans for development projects on conventional terms similar to those normally applied by other financial institutions engaged in international lending. The authorized Ordinary Capital resources amount to the equivalent of \$2,150.0 million, of which \$1,769.8 million has been subscribed by the members. The subscribed capital consists of \$381.6 million of paid-in capital (U. S. share \$150.0 million) and \$1,388.2 million of callable capital (U. S. share \$611.8 million). While the initially available resources were limited to the amounts actually paid-in by the members, the Bank now derives the bulk of its ordinary lending resources by borrowing against the security of the callable subscriptions of its members, in much the same manner as the International Bank for Reconstruction and Development.

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It is the Bank's policy not to assume obligations in excess of the U. S. callable subscription. As of December 31, 1966, the Bank had borrowed funds in the U. S. capital market and abroad totaling the equivalent of \$387.4 million, and in January 1967, a bond issue of \$50 million was floated on the U. S. market, raising total borrowings to \$437.4 million.

The resources of the Fund for Special Operations presently total the equivalent of \$1,119.5 million, of which the United States has contributed \$900 million and the Latin American members the equivalent of \$219.5 million.

Since 1961, the Bank has also administered the Social Progress Trust Fund (SPTF) on behalf of the United States. The SPTF amounts to \$525 million and was financed entirely by the United States by appropriations in May 1961 for \$394 million and in January 1964 for \$131 million. In connection with the increase in resources approved in 1965, it was decided that the resources of the Social Progress Trust Fund would not be enlarged and that responsibility within the IDB for financing the special social areas for which the SPTF was created - water supply and sanitation, advanced education, housing, and land settlement and improved land use - would in the future be met by the Fund for Special Operations.

In addition, the Bank acts as financial agent or administrator of funds aggregating the equivalent of \$52.6 million, which have been made available by the Governments of Canada, Germany, Sweden, and the United Kingdom.

As of the end of 1966, the Bank had approved 139 loans totaling the equivalent of \$747.2 million from the Ordinary Capital. From the FSO, the Bank had made 130 loans totaling the equivalent of \$656.9 million, and from the SPTF the Bank had made 117 loans totaling \$501.2 million. From both windows plus the SPTF, the

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Bank had authorized 386 loans totaling the equivalent of \$1,905.3 billion as of December 31, 1966. Early in 1967, total Bank lending passed the \$2 billion mark.

**B. The Fund for Special Operations**

The Fund for Special Operations was established for the purpose of making loans "on terms and conditions appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects." Loans from the FSO are made on terms which include lower interest rates and longer maturities than those in the Ordinary Capital, and are generally repayable in local currency. The more liberal FSO terms are intended to take account of circumstances in borrowing countries which cannot meet all of their development financing needs through loans on conventional terms, such as those available in the Ordinary Capital, and, in some cases, to meet the special needs of projects of a social or "overhead" nature essential to development. In accordance with the Bank's Charter, the resources of the FSO are provided by contributions from the United States and the Latin American members of the Bank. The terms on which the FSO was expected to lend required that its resources come from governmental contributions rather than private capital.

Initial contributions to the FSO amounted to \$146.3 million, of which the U. S. contributed \$100.0 million and the Latin American members \$46.3 million, one-half in dollars and one-half in the currency of the contributing country.

The FSO was subsequently expanded on two occasions in 1964 and 1965. (A full explanation of these expansions was provided in Special Reports to the President and the Congress of the National Advisory Council on International Monetary and Financial Problems, of May 1963 and July 1964). In early 1964, the FSO resources were increased by 50 per cent, with the United States

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contributing an additional \$50 million and the Latin Americans an additional \$23.2 million, again one-half in dollars and one-half in local currencies. In March 1965, the member countries authorized a further increase in the resources of the FSO by \$900 million, of which the U. S. share was \$750 million and the Latin American share the equivalent of \$150 million in their national currencies. Members made their contributions in three equal installments by June 30, 1965, December 31, 1965 and December 31, 1966. At the end of 1966, after these two increases became fully effective, the total resources of the FSO amounted to \$1,119.5 million, consisting of \$934.7 million in dollars and \$184.7 million in the currencies of the Latin American members of the Bank.

The increase in FSO resources approved in 1965 took into account the need to engage in lending activities previously carried on through the Social Progress Trust Fund. The Special Report of the National Advisory Council of July 1964 explained the background of the establishment of the Social Progress Trust Fund as a separate operational entity. The Report reviewed subsequent developments stemming from the Charter of the Alliance for Progress which made it appropriate to integrate within the structure of the Bank and the FSO the activities heretofore assigned to the Social Progress Trust Fund. The U. S. contribution to the expansion of FSO resources made effective in 1965 was in lieu of any further U. S. contributions to the SPTF, which will receive no further replenishment.

By December 31, 1966, loans from the FSO totaled the equivalent of \$656.9 million, of which \$529.1 million were loans in dollars and \$127.8 million in Latin American currencies. FSO lending has increased sharply since the increase in resources made effective in 1965. Loan commitments in all currencies were \$49.2 million in 1964, \$196.6 million in 1965, and \$291.3 million in 1966. As of March 31, 1967, uncommitted

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resources available for lending were \$356.6 million in dollars and \$40.9 million in Latin American member currencies.

It is apparent that an early replenishment of the FSO is required if the Bank is to achieve its objectives. The Executive Directors estimate (Annex C) that development lending, including finance for economic integration, will require an annual FSO lending rate of approximately \$400 million in all currencies.

As of December 31, 1966, more than 25 per cent of FSO loans had been devoted to agriculture, including programs for land settlement, improved land use, and rural credit. Twenty per cent of FSO loans were to finance water and sewerage programs and 13 per cent were devoted to education and housing. These activities have a high social content and prior to 1965 had been financed to a large extent through the SPTF. Approximately 17 per cent of FSO loans had been devoted to transportation and infrastructure systems, while 13 per cent were in mining and industrial activities.

In addition to lending for specific projects or programs, the FSO has devoted \$41 million of its resources to the financing of preinvestment studies of projects in the sectors which it finances. These studies are designed to help maintain the flow of projects ready for financing. In addition, studies covering a range of possible project alternatives are being undertaken in order to identify those choices which offer the greatest social or economic return for a given expenditure. In view of the strong and growing interest in multinational integration projects, the Bank's members agreed in 1966 to allocate up to \$15 million of FSO resources and \$1.5 million from the SPTF to finance preinvestment studies for multinational projects.

Prior to the authorization and signature of

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FSO loans, borrowers are required to meet certain, often quite demanding, conditions which help to insure to the Bank's satisfaction that financed projects will be carried out in the most efficient manner. The Bank often requires borrowers to meet further essential conditions in part or in full after loan signature, but prior to disbursement of the loan. Such conditions associated with FSO loans frequently require basic changes in institutional, organization, or financial practices on the part of the borrowers which the Bank considers necessary to the satisfactory execution of the particular project and the conduct thereafter of the activity made possible by the loan. This complex and careful procedure provides a strong stimulus for the basic institutional progress called for by the Alliance leading to achievements directly related to FSO loans but not fully reflected in the actual disbursement of loan funds. Nevertheless, cumulative disbursements on FSO loans rose to \$124.5 million by the end of 1966. Loan disbursements in 1966 rose by 56 per cent from \$28.6 million in 1965 to \$44.6 million in 1966. Disbursements are expected to grow substantially in 1967, reflecting the sharp increase which began in 1965 in the level of FSO loan commitments.

### III. ANALYSIS OF THE PROPOSALS

#### A. Increase of the Resources of the FSO

The Board of Governors of the Inter-American Development Bank at its recent Eighth Annual Meeting agreed (Annex A) to recommend to the Bank's member countries approval of a proposal to expand the resources of the Fund for Special Operations by the equivalent of \$1,200 million, thereby raising total FSO resources from the present level of \$1,119.5 million

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to \$2,319.5 million. The U. S. share of this proposed increase would be \$900 million, payable in three equal and consecutive annual installments, beginning not later than December 31, 1967. The Latin American members of the Bank (including Trinidad and Tobago when its membership formalities are completed) would contribute the equivalent of \$300 million in their national currencies on the same time schedule and in the individual amounts indicated in the Proposed Resolution (Annex B).

At least 14 members whose new contributions would total not less than \$1,125 million must agree to make their contributions before the increase of resources becomes effective and the contribution of any member becomes payable. Members must deposit with the Bank instruments indicating their consent to the increase of resources by December 31, 1967. These requirements have the practical effect that the United States must act and that it must be joined by at least 75 per cent of the Latin American members, including at least two of the three countries with the next largest subscriptions to the Bank, i.e., Argentina, Brazil, and Mexico, before the arrangement can come into effect.

The proposed increase of FSO resources is designed to permit the Bank to maintain its leadership role in the financing of economic and social projects, particularly in agriculture, education and health, and to assume new responsibilities in the promotion of multinational projects and economic integration, during the three-year period from approximately early 1968 to early 1971, in accordance with decisions taken at the April 1967 meeting of American Presidents.

#### **B. Operating Principles of the Expanded FSO.**

As a general indication of the operating principles which the Bank intends to follow, the Board of Governors at their Eighth Annual Meeting approved a resolution concerning the harmonization of Bank policies to conform with the Declaration of American Presidents (Annex F).

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### 1. The IDB and Self-Help.

The proposed increase itself is evidence of the continued faith on the part of the Latin American members in the Bank's ability to use its resources effectively to further hemispheric development. It also reflects their determination to fulfill to the utmost the requirements of self-help embodied in the Alliance for Progress. The Latin American share of the proposed increase in FSO resources, \$300 million, is double the Latin contribution to the 1965 FSO expansion. The ratio of the U. S. contribution to that of the Latin American members of the Bank has fallen from 5 to 1 in the previous increase of FSO resources to 3 to 1 under the current proposal. That the Latin American countries are willing to undertake to channel their scarce financial resources through the Bank in this magnitude is a tribute to the Bank's past successful operations and concrete testimony to Latin American interest and determination to take the steps necessary to achieve progress toward the goals of the Alliance.

The Bank fully recognizes that although substantial progress has been achieved to date, improved economic performance in the member countries remains very much a matter of concern for both the countries themselves and for the external lending agencies, and that it is becoming increasingly important to improve the broad instruments of policy and performance in the fiscal and monetary, balance of payments, price and wage, and administrative fields. In its Report on the Proposed Increase of Resources of the Bank (Annex C), the Executive Board states:

"It is becoming increasingly apparent that external investments in development programs will become incapable of stimulating economic and social progress to the required extent unless the counterpart contribution by the recipient countries is mobilized more effectively through improved internal "self-help" measures.



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The Bank, as a key instrument of the Alliance for Progress, has in the past through the actions of the Board of Governors and the Board of Executive Directors taken heed of the need for self-help and reform as indispensable to progress. The Bank intends in the future to concern itself even more with the relationship between self-help measures and its lending programs and policies, and to intensify its collaboration with CIAP [the Inter-American Committee on the Alliance for Progress] in the performance of the latter's responsibility as a multilateral entity, to spur self-help measures and to evaluate institutional progress of the countries of the region, including fiscal and monetary reforms, within the context of the countries' development efforts."

A significant feature of the new proposals is an explicit recognition of the importance of mutual self-help among the Latin American members. The Latin American local currency contributions to the FSO in the past have been largely utilized for project expenditures within the contributing country, in recognition of the limited balance-of-payments and resource capabilities of most of these countries. As a part of the proposed expanded effort, the four Latin American members having the largest contribution quotas after the United States have agreed that a portion of their new contributions should be used by the Bank in its loans to the other members. These four members are Argentina, Brazil, Mexico, and Venezuela -- nations which together possess more substantial industrial manufacturing sectors and greater financial capacity and strength relative to the situation of most of the remaining Latin American members of the Bank.

## 2. Fields of Lending Activity.

As noted above, the Bank has in the past devoted the great bulk of its FSO resources to the financing of projects in the fields of agriculture, education, water and sanitation, housing, and infrastructure. To these responsibilities must be added in the future the

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responsibilities for assuming leadership in the planning and financing of multinational projects, with a view to eventual Latin American economic integration. The integration movement now underway in Latin America will require that the Bank assume the roles of leader and catalyst in multi-national project activities, in cooperation with other sources of financing. To this end, the Bank expects to devote annually up to a total of \$100 million, from the Ordinary Capital and FSO resources, to the financing of multinational integration projects.

It is with this objective in view that it is proposed to expand the annual U.S. contribution to the FSO from the previous level of \$250 million to a level of \$300 million, which is a total expansion of \$150 million over three years.

The members of the Bank are rightly convinced, however, that the emphasis to be placed on integration in the future must not be to the neglect of the vital fields of agriculture, education, and health. In its first six years of operations, the Bank devoted \$428 million of the resources available for all its operations to direct investment in agricultural production. The Bank has made concentrated efforts -- relatively greater than those of other external financing agencies -- to stimulate the financing and growth of agriculture. Two recent studies conducted by the Bank and by the Subcommittee on International Finance of the House Banking and Currency Committee make clear, nevertheless, that neither the internal nor external investment flows into this sector approach the levels estimated as necessary to ensure adequate and sustained agricultural growth in the face of rapidly increasing populations.

The Report of the Executive Directors on the Proposed Increase in Resources (Annex C) notes that the scarcity of specific projects suitable for financing and the inadequacy of overall agricultural planning have been factors seriously limiting the growth of agriculture. The Report also notes that

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through preinvestment assistance and joint arrangements with institutions such as the Food and Agriculture Organization of the United Nations, the generation of soundly conceived projects in the agricultural sector is making considerable progress. Likewise, the Inter-American Committee on the Alliance for Progress (CIAP), in cooperation with other agencies, is strengthening its activities to assist in the preparation and review of broader agricultural programs. Thus, in view of these improvements, the Bank expects to be able to allocate an increasing share of its resources to productive investments in agriculture.

The Bank also recognizes the great importance of devoting an appropriate proportion of its resources to the financing of education, in order to remove the obstacle to economic development imposed by the shortage of technical and professional personnel. The main objective of the Bank's efforts in the education field to date has been the financing of advanced education. In the future, the IDB intends to complement this activity by broadening its operations to include greater concentration in the fields of vocational and technical training, and the implementation of broad educational programs which the Bank has helped members to develop.

The Bank's principal activity in the health field has been the financing of projects to improve water supply and sewerage systems. As of the end of 1966, the Bank had allocated about \$350 million of its aggregate available resources to such projects. The Bank is conscious of the fact that it has been touching on only one segment of the health sector and that health conditions continue to present an important impediment to an accelerated rate of development in Latin America. Accordingly, the Bank intends to focus its further support on rural health, primarily within community development programs, as well as to continue its efforts in potable water supply and sewerage programs. Further, the

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Bank will attempt to provide support to other economic sectors which have direct bearing on improved health, such as pharmaceutical, biological, and nutritional industries.

3. FSO Loan Terms.

It is expected that there will be no change in the terms of repayment related to loans from the FSO. Currently FSO loans bear rates of interest of 2-1/4 percent and 3-1/4 percent, depending on the nature of the project, payable in the currency of the borrower. In addition, there is a service charge of 3/4 of one percent, payable in dollars. Principal repayments are generally made in the currency of the borrower with provision for maintenance of value, or in dollars at the borrower's option. Maturities range from 15 to 30 years and include grace periods generally not exceeding 5 years.

4. The Proposed Increase of FSO Resources and the U.S. Balance of Payments.

In the initial establishment of the Fund for Special Operations, and in the expansion of the FSO made effective in 1964, the U.S. contribution was paid one-half in the form of cash and one-half in the form of non-interest-bearing, non-negotiable demand notes. Cash payments made by the United States under these arrangements were immediately reflected in our balance-of-payments accounts, as outflows of funds from the U.S. The demand notes issued by the United States had no effect upon our balance of payments position until actually encashed by the Bank. (In 1966, all demand notes held by the Bank were converted into letters of credit).

In the expansion of the FSO which became effective in 1965, no portion of the U.S. contribution was paid in the form of cash. The entire U.S. contribution, which amounted to \$750 million, was paid to the Bank under the form of letters of credit. Such letters of credit have no effect on the U.S. balance of payments until they are actually used by the Bank for disbursement purposes. Given the intervals which transpire

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between the payment of contribution quotas to the Bank, the commitment of these funds to loans, and the actual need for cash in order to meet loan disbursements, the U. S. contributions are not reflected as outflows in our international payments accounts until well after the funds have been appropriated.

As of December 31, 1966, the payment of the U. S. contribution of \$900 million to the FSO since its inception in 1959 had resulted in a balance-of-payments outflow of only \$77 million -- representing \$75 million in cash payments made under the initial and 1964 arrangements, and \$2 million in letters of credit utilized during 1966.

The adverse impact on our balance of payments of the U. S. contribution to the FSO is offset to the extent that U. S. goods and services are procured by the Bank's borrowers with the proceeds of FSO loans. It is estimated that cumulative procurement reached approximately \$35 million as of the end of 1966, and that the net impact of FSO activities, in the seven years of the FSO's existence, averaged only about \$6 million per annum.

In the initial FSO and the expansion effective in 1964, dollar resources contributed by the U. S. were commingled with dollar resources contributed by Latin America, and these resources were made available to borrowers under a policy of free and competitive world-wide procurement. The dollar resources available to the FSO as a result of the increase of its resources effected in 1965 were supplied only by the United States, and it was agreed, with respect to these resources, to apply the same procurement policies applied in the SPTF. Under this new policy, new FSO dollar resources were made available for use only for the purchase of goods and services in the United States, in the country of the borrower, or from other members of the Bank if such procurement were approved by the Bank as advantageous to the borrower. Dollars utilized for expenditures in the country of the borrower are required to be used for the procurement of U. S. goods and services under special

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letter of credit procedures similar to those applied in the U. S. bilateral assistance program. Although there has been little experience with this arrangement (disbursements of loans derived from the new FSO funds have thus far been of relatively small magnitude) and firm estimates of its balance of payments effects cannot be made, estimates taking into account experience in the SPTF under similar procedures indicate that approximately 90 per cent of FSO disbursements will result in U. S. exports of goods and services.

These procurement policies and tying procedures will continue to be used in connection with the proposed increase in the U. S. contribution to the FSO. The U. S. and the Bank intend to keep these policies and procedures under review, with a view to further minimizing any adverse balance of payments effect of FSO operations. As part of their cooperative attitude in helping to minimize possible adverse balance-of-payments effects from our contribution, the Executive Directors in their Report (Annex C) indicate their intention to hold dollar financing of local costs to an appropriate minimum. The Bank will limit on the average the proportion of dollar loans used to finance local costs of projects to the level prevailing in 1966, with the exceptions of loans in the critically important areas of agriculture and education, which by their nature demand a relatively high proportion of local expenditures. The doubled Latin American contribution to the increase of the FSO will facilitate the provision by the Bank of the local currencies required -- in addition to dollars for foreign exchange costs -- to carry on project activities. It is also expected that improved self-help efforts in the fields of taxation and the reduction of non-productive expenditures will enable governments to increase their domestic savings available for investment in FSO-financed projects.

The Bank's attitude toward the U. S. balance-of-payments problems is aptly demonstrated by the following remarks. in the Report of the Executive Directors on the Increase of Resources:

"In the light of these [balance-of-payments] problems, which should be regarded as basically transitory in nature, the Bank and its members fully appreciate the

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difficulties inherent in United States responsibilities in the free world. Accordingly, the Bank proposes to cooperate in the greatest possible degree with the United States in meeting these difficulties by suitable measures, which obviously would be subject to review as conditions change."

As a further example of the Bank's cooperation in safeguarding the U. S. balance of payments, it should be noted here that the Governors at their Eighth Annual Meeting instructed the Board of Executive Directors to study further the mobilization of resources of non-member countries and to propose for implementation such measures as may be required to correct the existing unsatisfactory situation. In taking this action, the Governors had before them a report of the Directors which pointed out:

".... there are various capital-exporting countries which have benefited from the policy of untied purchases, especially as applied to the ordinary capital, whose contribution to the Bank either is non-existent or does not bear a reasonable proportion to the benefits which they have obtained from these purchases. Therefore, the Bank should explore the establishment of systems which have the purpose of producing or, if pertinent, increasing the contributions of those nations. If the result of this study and of the related inquiries so indicates, the Bank should not discard the possibility that the utilization of funds which presently may be used freely be linked, under appropriate procedures, to purchases in those countries whose contributions are satisfactory in the judgment of the Bank."

##### 5. The IDB and U. S. Bilateral Aid Policies.

The proposed increase in the resources of the FSO has been examined by the National Advisory Council with the major policy objectives and guidelines of the

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U. S. bilateral aid programs in mind. For example in regard to the problem of expropriation of private property without compensation, should the "Hickenlooper Amendment" be invoked so as to require a suspension of U. S. assistance to any Bank member, a parallel attitude would be adopted in the Bank with regard to FSO dollar financing by virtue of the voting procedures which must be followed (requiring affirmative U. S. votes on all FSO loans), and by virtue of Section 14 (c) of the Inter-American Development Bank Act. In this connection, last August this Council approved a formal Action (66-262) reaffirming the policy of the U. S. to oppose assistance, by any international financial institution, to any country, during a period when that country is ineligible for bilateral assistance because of its expropriation of American-owned private property.

No funds provided to the FSO will benefit members of the Communist bloc. As noted above, the use of loans from the proposed increase in FSO resources is limited exclusively to purchases in the U. S. and Latin American members of the Bank. Procurement under Bank loans made out of Ordinary Capital resources is limited to countries of the free world.

The Council regards the proposed increase of the resources of the Fund for Special Operations and the operating principles of the expanded FSO as fully consistent with the meaning and spirit of the policy provisions which the Congress has deemed it advisable to apply to U. S. bilateral programs.

**C. Modification of the Provision for the Election of Executive Directors**

The United States appoints its Executive Director of the Bank. The six other Executive Directors of the Bank are elected without U. S. participation by the Latin American members, four under a weighted voting system and the remaining two, by the countries which have not cast votes for the first four Directors, under a unitary voting procedure.



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The regulations currently governing the procedures for the election of the Latin American Directors were originally drawn up assuming that Cuba would be a member of the Bank. Because Cuba did not become a member, the number of votes actually cast in elections is less than originally envisaged. This fact, in combination with the minimum vote requirements which apply to the four Directors elected under the weighted procedure, has led to a situation in which one of the four has had to gain the support of six or seven countries in order to meet the minimum vote requirement. Thus, after the first four Directors are elected, only four or five countries have been left to participate in the election of the remaining two Directors.

The proposed modification (Annex E) would, by reducing the required vote which the fourth Director must obtain, resolve the difficulty to the satisfaction of the Latin American members. U. S. participation and voting power in the Bank would not be changed in any way by the proposed modification of the election procedure.

#### IV. LEGISLATIVE ACTION REQUIRED

Under Section 5 of the Inter-American Development Bank Act, Congressional authorization is required to enable the U. S. Governor of the Bank to agree to any increase in either the capital stock of the Bank or the resources of the Fund for Special Operations, and to accept any amendment to the Bank's Articles of Agreement.

Two resolutions approved by the Board of Governors at their Eighth Annual Meeting in Washington recommend that members "take such action as may be necessary and appropriate to give effect to" the proposals of the Board of Directors relating to the increase of the Bank's resources and the modification of the provisions for the election of Executive Directors in Annex C of the Agreement Establishing the Bank. The Resolution thus took

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account of the need for legislative approval in various countries, including the United States, before final action can be taken by the Board of Governors.

The National Advisory Council recommends enactment, this year, of legislation which would:

- (1) authorize the United States Governor of the Inter-American Development Bank (The Secretary of the Treasury) to:
  - (a) vote in favor of the Resolution (Annex B) to increase the resources of the Fund for Special Operations by the equivalent of \$1 200 million, and upon adoption of such resolution, to agree on behalf of the United States to pay to the Fund for Special Operations the sum of \$900,000,000; and
  - (b) vote in favor of the Resolution (Annex E) to amend Annex C of the Agreement Establishing the Inter-American Development Bank to modify the procedure employed in the election of Executive Directors.
- (2) authorize the appropriation of the \$900,000,000 United States share of the increase of the resources of the Fund for Special Operations, without fiscal year limitation.

Appropriate legislation to accomplish these recommendations has been submitted by the Administration.

Because of the early requirement for additional resources for the FSO, as described above it would be necessary for the United States, in order to meet the December 31, 1967 payment date specified in the proposed Resolution of the Governors of the Bank, to obtain an

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appropriation covering the first installment of \$300 million during the present session of Congress. Two similar requests for appropriations of \$300 million each would be made in subsequent sessions of Congress for the payments due by December 31, 1968, and December 31, 1969.

#### V. CONCLUSION

The Inter-American Development Bank is performing a vital role in stimulating Latin American economic and social development within the framework of the Alliance for Progress. The Declaration of the Presidents of America, issued at Punta de Este on April 14, 1967, has entrusted the Bank with new and challenging responsibilities in the fields of multinational integration projects, the modernization of rural life and increase of agricultural productivity, educational, technological and scientific development, and the intensification of health programs.

It is therefore of the utmost importance to the United States and to the Latin American members of the Alliance that resources adequate for the Bank to meet its growing responsibilities be made available.

Funds available to the Fund for Special Operation of the Bank will be exhausted in the early months of 1968 at the present level of lending. The proposed United States contribution of \$300 million per year during the three-year period 1968-1970 is necessary if the Bank is to maintain present FSO activity and carry out its new initiatives in the field of multinational project financing. The National Advisory Council considers the proposed level of activity of the Fund for Special Operations to be essential to the furtherance of objectives to which the United States and its Latin American partners in the Alliance for Progress have subscribed.

The United States contribution will be accompanied

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by a doubled contribution by the Latin American members of the Bank to the proposed increase of the resources of the Fund for Special Operations. The proposal emphasizes other measures of self-help and mutual help among the Latin American members of the Bank. The proposed increase of resources and the operating principles of the Fund for Special Operations are fully consistent with policy provisions which the Congress has deemed it advisable to apply to U. S. bilateral assistance programs. The proposal is consistent with the position and needs of the United States balance of payments.

The National Advisory Council, having considered all aspects of the present proposals, supported the favorable votes of the United States Governor on the Resolutions adopted by the Board of Governors of the Bank at their Eighth Annual Meeting in Washington in April 1967, which recommended that the member countries take appropriate measures to make effective the proposed increase of the resources of the Fund for Special Operations and the proposed modification of the provisions for the election of Executive Directors.

The Council now strongly recommends prompt and favorable Congressional action.

Annex A

RESOLUTION AG-5/67

APPROVAL OF RECOMMENDATIONS IN THE REPORT OF THE BOARD  
OF EXECUTIVE DIRECTORS ON INCREASES IN  
THE RESOURCES OF THE BANK

The Board of Governors,

Having considered the report approved by the Board of Executive Directors on April 18, 1967 proposing increases in the authorized resources of the Bank,

RECOMMENDS:

That the member countries take such action as may be necessary and appropriate to give effect to the resolutions proposed in said report.

(Approved at the Third Plenary Session, April 26, 1967)

## Annex B

## PROPOSED RESOLUTION

INCREASE OF \$1,200,000,000 IN RESOURCES OF FUND FOR  
SPECIAL OPERATIONS

WHEREAS, at the Seventh Annual Meeting of the Board of Governors it was resolved that the Board of Executive Directors study the possibility of enlarging the resources of the Bank by means of an increase in the authorized capital stock and an increase in the resources of the Fund for Special Operations and present a report and recommendations to the Board of Governors;

WHEREAS the Board of Executive Directors of the Bank, having considered said question, has concluded that action to increase the resources of the Fund for Special Operations would be desirable;

WHEREAS Article IV, Section 3 (g), of the Agreement Establishing the Bank provides for increases in the resources of the Fund through additional contributions by the members, and

WHEREAS the Board of Executive Directors has submitted an appropriate proposal therefore to the Board of Governors,

The Board of Governors

RESOLVES that:

- (a) Subject to the provisions of this resolution, the resources of the Fund for Special Operations shall be increased in the equivalent of US\$1,200 million through additional contributions by the members as follows:

<u>Country</u>	<u>Contributions</u> (In U.S. dollars or the equivalent)
Argentina	\$ 66,804,000
Bolivia	5,364,000
Brazil	66,804,000
Chile	18,342,000
Colombia	18,330,000
Costa Rica	2,682,000
Dominican Republic	3,576,000
Ecuador	3,576,000
El Salvador	2,682,000
Guatemala	3,576,000
Haiti	2,682,000
Honduras	2,682,000
Mexico	42,948,000
Nicaragua	2,682,000
Panama	2,682,000

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## Annex B

Paraguay	\$ 2,682,000
Peru	8,946,000
United States	900,000,000
Uruguay	7,164,000
Venezuela	35,796,000
	<hr/>
	<u>\$1,200,000,000</u>

In the event any new member is admitted to the Bank prior to the effective date of this resolution, such new member shall contribute to the total established in this paragraph in proportion to the contribution required as a condition of its admission, and the contribution of the other members, except the United States, shall be reduced accordingly.

- (b) Each member shall make its additional contributions in its own currency, and the entire amount of each contribution shall constitute national currency to which the provisions of Article V, Sections 1 (c) and 4, of the Agreement Establishing the Bank, shall be applicable.
- (c) The additional contributions shall be made in three equal installments, payable, respectively, on or before December 31, 1967, December 31, 1968, and December 31, 1969, or such later dates as the Board of Executive Directors may determine.
- (d) None of the additional contributions shall become payable unless at least 14 members whose increased contributions total not less than the equivalent of US\$1,125 million shall each have deposited with the Bank, on or before December 31, 1967, or such later date as the Board of Executive Directors may determine, an appropriate instrument setting forth their agreement to their making the contributions to the increase in the Fund for Special Operations in accordance with the terms of this resolution.

**Annex C -1**

**INTER-AMERICAN DEVELOPMENT BANK**

**GN-275-10**

**REPORT OF THE BOARD OF EXECUTIVE DIRECTORS  
ON THE PROPOSED INCREASE OF RESOURCES OF THE BANK**



ANNEX C - ii

PROPOSAL FOR AN INCREASE IN THE RESOURCES OF THE  
INTER-AMERICAN DEVELOPMENT BANK

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II. Capital Structure and Operations of the Bank .....	4
III. General Considerations Relating to an Increase ....	17
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V. Fund for Special Operations - Specific Analysis of Increase .....	27
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ANNEXES

- A. Increase of US\$1,200,000 in Resources of the  
Fund for Special Operations
- B. Increase of One Billion Dollars in Authorized  
Callable Capital Stock and Subscription Thereto
- C. Provisions for Increases in Resources Contained  
in Agreement Establishing the Bank

ANNEX C - iii

INTER-AMERICAN DEVELOPMENT BANK

RESOLUTION DE-51/67

REPORT OF THE BOARD OF EXECUTIVE DIRECTORS  
ON THE PROPOSED INCREASE OF RESOURCES OF  
THE BANK

The Board of Executive Directors

RESOLVES:

1. That the report on the proposed increase in the resources of the Bank (Document GN-275-10), which is to be presented to the Board of Governors in accordance with Resolution AG-5/66, be approved.

2. That the President be authorized to transmit this report to the Board of Governors of the Bank.

(Approved April 18, 1967)

PROPOSAL FOR AN INCREASE IN THE CAPITAL RESOURCES OF THE  
INTER-AMERICAN DEVELOPMENT BANKI. Introduction and Major Conclusions

1.01 At its Annual Meeting held in Mexico City in April 1966, the Board of Governors of the Bank approved the following resolution:

"RESOLUTION AG-5/66

## INCREASE IN RESOURCES

The Board of Governors

## RESOLVES:

1. That the Board of Executive Directors is requested to study the possibility of enlarging the resources of the Bank by means of an increase in the authorized capital and an increase in the resources of the Fund for Special Operations.

2. That, in the light of its conclusions concerning an increase in resources, it is recommended that the Board of Executive Directors also examine the desirability of modifying the provisions for the election of Executive Directors set forth in the Agreement Establishing the Bank.

3. It is requested that, if feasible, the Board of Executive Directors present a report and its recommendations on the foregoing matters to the Board of Governors not later than October 1, 1966.

4. The Board of Executive Directors is also requested to study new means to increase multilateral economic assistance to Latin America and to submit a report to the Board of Governors as soon as practicable."

1.02 In order to have the necessary information for complying with the terms of this resolution, the Board of Executive Directors has made an analysis of the external financing requirements of Latin America and the role of the Inter-American Bank in this field. This analysis shows that:

- (a) an increasing amount of external financial resources is necessary, as an essential complement to internal savings, in order to achieve the rate of growth established for the Alliance for Progress;
- (b) it is also necessary, because of the present inadequate structure of Latin America's external indebtedness and the trend in recent years toward rising interest rates in the international capital markets, that the external assistance be provided on terms and conditions compatible with the development needs and payment capacity of the countries in the region;

## ANNEX C

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- (c) the IDB has become one of the most important sources of external financing for Latin America and has made effective use of the resources placed at its disposal;
- (d) it is necessary for the Bank to have sufficient resources available to not only maintain but, actually, to increase substantially its contribution to regional development, particularly if the general expectation that it will increase its activity in the fields of economic integration and agricultural development is taken into account.

1.03 In the light of the views expressed by the Governors at their Annual Meeting in Mexico City, the Board of Executive Directors carefully considered the Bank's operations authorized to date the programs foreseen for the balance of 1967; the availability of existing ordinary resources and the Bank's borrowing capacity based on the callable capital; the available resources of the Fund for Special Operations the minimum resources needed by the Bank to finance its future activities and the mechanics for raising such resources, and the practical possibilities of obtaining new contributions from the member countries in view of prevailing conditions in the national and international spheres.

1.04 As a result of the above analysis the Board of Executive Directors considers it advisable that the necessary measures be taken to increase both the callable capital of the Bank and the resources of the Fund for Special Operations. For this purpose, it hereby submits for consideration by the Board of Governors the proposed resolutions appended to this report, whose essential content is summarized below:

A. With respect to the Ordinary Capital stock:

- (i) there is a need for an increase in the authorized capital of the Bank;
- (ii) the increase should be in the Bank's callable capital and should amount to one billion dollars;
- (iii) the additional subscription of each member should be in accordance with the table on page 2 of Annex B;
- (iv) the authorization for the increase in the callable capital should become effective when member countries have indicated that they agree to subscribe to a minimum of US\$750 million.
- (v) one half of the increase should enter into effect in 1968 and the other half in 1970.

B. With respect to the Fund for Special Operations:

- (i) there is need for an increase in the resources of the Fund for Special Operations;

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ANNEX C

- (ii) the amount of the increase should be US\$1,200 million;
- (iii) the additional contributions to the Fund for Special Operations should be made by each country in its national currency;
- (iv) the additional contributions of each member should be in accordance with the table on pages 1 and 2 of Annex A;
- (v) the additional contributions to the Fund should be made in three equal annual installments in 1967, 1968 and 1969, respectively;
- (vi) the increase in the resources of the Fund should become effective when subscriptions have been received from at least 14 member countries whose increased contributions total not less than the equivalent of US\$1,125 million.

1.05 The Board of Executive Directors regards the proposed increases as required to enable the Bank to maintain an appropriate rate of expansion of its activities.

1.06 The points referred to in paragraph 2 and 4 of Resolution AG-5/66 are examined in separate reports.

**II. Capital Structure and Operations of the Bank**

**2.01** The basic capital available to the Bank consists of its own ordinary capital resources and the Fund for Special Operations. In addition, the Bank administers the Social Progress Trust Fund, established by the United States (see paragraph 2.04) and certain relatively small funds provided by non-member countries. (Paragraph 2.18)

**2.02** The ordinary capital consists of paid-in capital and callable capital. It is used to make loans repayable in the currency loaned, on normal banking terms comparable to those of similar international financial institutions. The callable portion of each member's subscription is not available to the Bank for lending, but is subject to call only if required to meet the Bank's obligations on borrowings or on loans guaranteed by it. In practice the callable capital is used as a guarantee of the obligations issued by the Bank to borrow funds in the capital markets. While the Bank has legal authority to guarantee loans of third persons it has not found it appropriate thus far to do so.

**2.03** The Fund for Special Operations (FSO) is available to make loans on terms and conditions appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects. Thus loans from the Fund may be on terms which minimize the impact of the debt on the balance of payments of the country of the borrower, such as repayment in local currency, longer maturities, and lower interest rates than for ordinary loans.

**2.04** The Social Progress Trust Fund (SPTF) was created pursuant to an agreement entered into between the United States and the Bank on June 19, 1961. The Agreement authorized the Bank to make loans in the fields of land settlement and improved land use, housing for low income groups, community water supply and sanitation facilities, and supplementary financing of facilities for advanced education and training related to economic and social development and to provide technical assistance related to these fields and to the mobilization of domestic resources. The Bank accepted the administration of the Fund for these purposes, deeming it to be consistent with the provisions of the Agreement Establishing the Bank and to strengthen the efforts of the Bank to foster balanced economic growth and greater social progress in the member countries. In 1964 it was concluded that new capital should not be sought thereafter for the SPTF, and the Board of Governors decided that in the future the Bank should include in the operations of the FSO financing for social development purposes, including those previously financed through the SPTF.

**2.05** Initially the available capital of the Bank consisted of (a) the equivalent of US\$381,580,000 paid in by the member countries as follows: 20% by September 30, 1960; 40% by October 31, 1961; and the final 40% by October 31, 1962, and, (b) the callable capital, equivalent to US\$431,580,000, which was subscribed by the members at the outset. The initial resources of the Fund for Special Operations, equivalent to US\$146,316,000, were contributed by the members in two equal installments due on September 30, 1960 and October 31, 1961, respectively. A resolution authorizing a US\$1 billion increase in the callable

capital stock of the Bank was approved by the Board of Governors on January 28, 1964, which provided for subscription by the member countries in two equal installments not later than December 31, 1964 and 1965 respectively. Under a second resolution, increased contributions of the members to the Fund for Special Operations equivalent to US\$73,158,000, also became effective on January 28, 1964 and were contributed by the members by April 28, 1964. A further increase of the equivalent of US\$900 million in the Fund for Special Operations was approved by the Governors on March 31, 1965, with payment in three installments due not later than June 30, 1965, December 31, 1965 and December 31, 1966.

2.06 The initial assets of the Social Progress Trust Fund were US\$394 million. In February 1964, the United States provided an additional US\$131 million for the Fund.

2.07 Since the beginning of its activities, the Bank has been operating at an active and increasing pace. On December 31, 1966, the total amount committed by the Bank in loans from its own resources and the Social Progress Trust Fund it administers, amounted to US\$1,905.3 million.

The distribution of the Bank's loans by types of resources utilized is as follows:

- Ordinary capital resources: 139 loans for a total of US\$747.2 million.
- Fund for Special Operations: 130 loans for US\$656.9 million.
- Social Progress Trust Fund: 117 loans for US\$501.2 million.

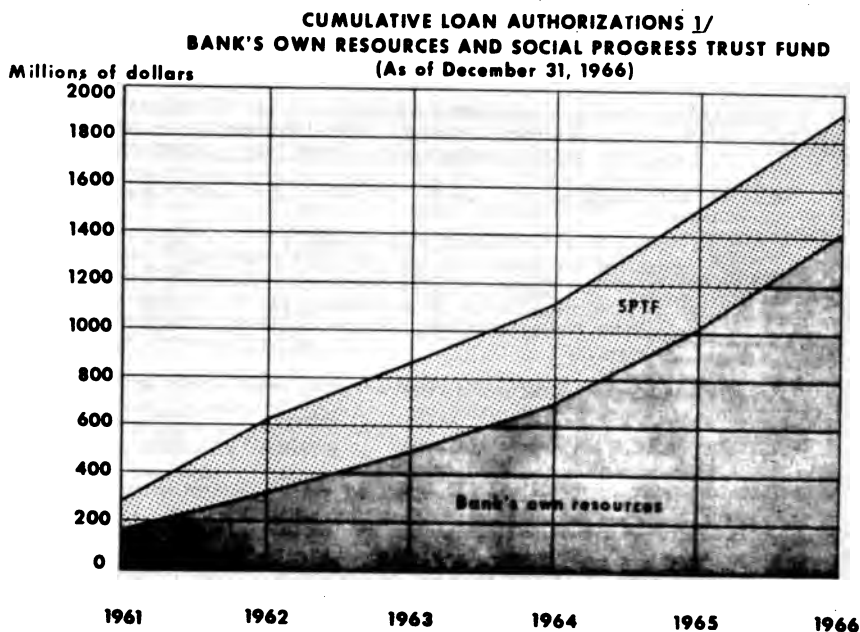
The total cost of the projects financed is estimated approximately at US\$5 billion. Thus, the Bank is helping to mobilize approximately US\$3,100 million from other sources primarily those of the borrowing countries, representing almost two thirds of the total investment.

The disbursement of the Bank's loans has also proceeded rapidly. As of December 31, 1966, the cumulative amount disbursed totaled US\$798.3 million, or about 42 per cent of the amount committed.

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## ANNEX C

Figure 1



1/ Does not include seven loans for the equivalent of US\$8.1 million from the Canadian Fund which the Bank administers

2.08 One of the fundamental characteristics of the Bank's operations has been the wide variety and scope of the fields covered. In the area of economic development, attention has been given not only to the traditional infrastructure sectors, such as power and transportation, but also to agriculture, industry, and mining. In the social field, the Bank has financed housing projects for low-income groups, water supply and sewerage projects, improvements in land use and tenure, and education projects. The following table shows the distribution of the Bank's loans, by fields of activity.



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Table 1

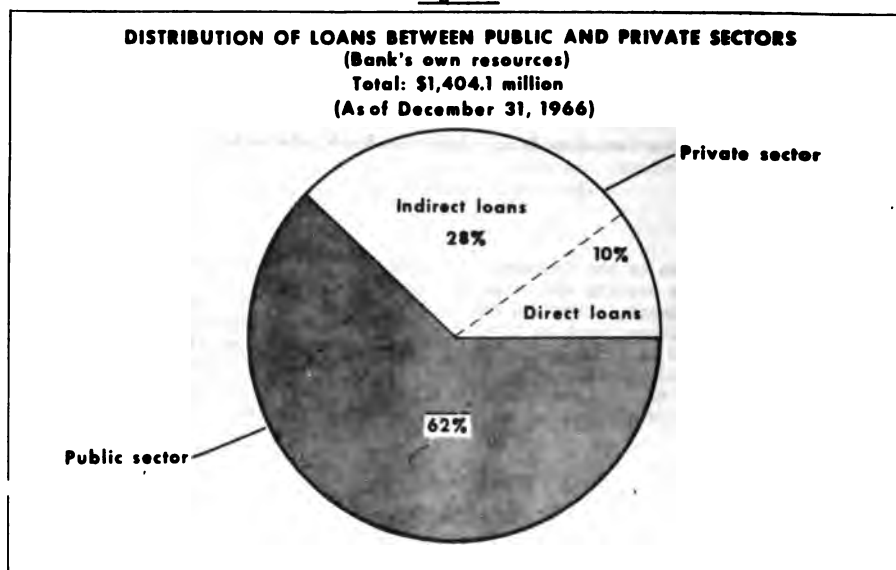
ANNEX C

SECTORAL DISTRIBUTION OF IDB LOANS  
1961-1966

(In millions of dollars)

	Ordinary Capital	Fund for Special Operations	Social Progress Trust Fund	Total	Per cent of Total
Industry and mining	\$314.9	\$ 85.5	\$	\$400.4	21
Agriculture	171.9	166.3	89.3	427.5	23
Sanitation	57.0	131.5	161.0	349.5	18
Housing	-	56.0	218.1	274.1	15
Transportation	50.9	110.5	-	161.4	9
Electric power	123.2	32.5	-	155.7	8
Education	-	33.6	32.1	65.7	3
Preinvestment	2.4	41.0	0.7	44.1	2
Financing of intra- regional exports of capital goods	26.9	-	-	26.9	1
	<u>\$747.2</u>	<u>\$656.9</u>	<u>\$501.2</u>	<u>\$1,905.3</u>	<u>1.00</u>

Figure 2



2.09 This varied lending activity has been made possible by the operating flexibility afforded by the Bank's financial structure. The Bank has endeavored to strike an appropriate balance between hard and soft loans, as well as between loans to the public sector and the private sector, taking into account not only the financial requirements of the various economic and social development fields, but also the earning capacity of the projects and the payment capacity of the member countries.

2.10 As part of its operations, the Bank has supplied a substantial volume of resources for technical assistance activities in the member countries. Up to December 31, 1966, it had approved nearly 560 technical assistance operations totaling US\$78.5 million, of which US\$63.0 million is reimbursable <sup>1/</sup> and US\$15.5 million is non-reimbursable.

The primary aim of the Bank in such operations is to ensure the most effective use of the funds allocated for investment and to increase the member countries' capacity to absorb external resources. These activities have ranged from aid in the preparation of specific projects to the establishment and reorganization of development institutions and the training of personnel in different fields.

2.11 The Bank's loans in Latin America are being translated into physical accomplishments of growing dimensions. Thus, the projects which the Bank is helping to carry out with the loans which it authorized through December 31, 1966, are resulting in:

- The bringing into production or improvement of some 4,813,508 acres of farm land. As of December 31, 1966, some 1,569, 50 had already been brought into production. In addition, agricultural production and productivity in Latin America benefitted from 273,251 credits relent from Bank loans extended to development institutions.

- The construction, expansion or improvement of 48 industrial plants, of which 29 have already been finished. In addition, some 2,415 credits have been extended to small and medium-scale industrial enterprises from loans made by the Bank to development institutions.

- The expansion of electric generating capacity by 2,710,000 kilowatts; the installation of 7,886 miles of transmission lines, and the construction or improvement of distribution systems in 120 communities with a population of 3 million. As of December 31, 1966, units generating

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<sup>1/</sup> This figure is composed of the amount shown for preinvestment in Table 1, substantial technical assistance allocations provided as part of loans included under other headings in that table, and a relatively small amount of technical assistance financed on a reimbursable basis but not included in the loan operations of the Bank.

## ANNEX C

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81,500 kilowatts were in operation; 2,248 miles of transmission lines had been installed and distribution networks in 10 communities with a population of 1 million had been completed.

- The construction or improvement of about 1,545 miles of 10 main highways and 7,870 miles of 124 access and farm-to-market roads. As of December 31, 1966, 1,096 miles had been completed. In addition, Bank loans were helping to improve five major Latin American ports: Paranaguá in Brazil, Cartagena, Barranquilla, Santa Marta and Buenaventura in Colombia (in addition, improvement of the port of Acajutla in El Salvador was being financed with Canadian funds).

- The construction, expansion or improvement of 2,340 water supply systems and 253 sewage systems which will benefit a population of 36,700,000 persons. As of December 31, 1966, some 897 water systems and 72 sewage systems had been finished and substantial work had been done on another 367 water and 84 sewage systems.

- The construction of about 297,200 housing units for low-income families which will benefit some 1.8 million persons. As of December 31, 1966, some 149,688 had been finished and 29,450 were under construction. Some 56,474 were built in 1966.

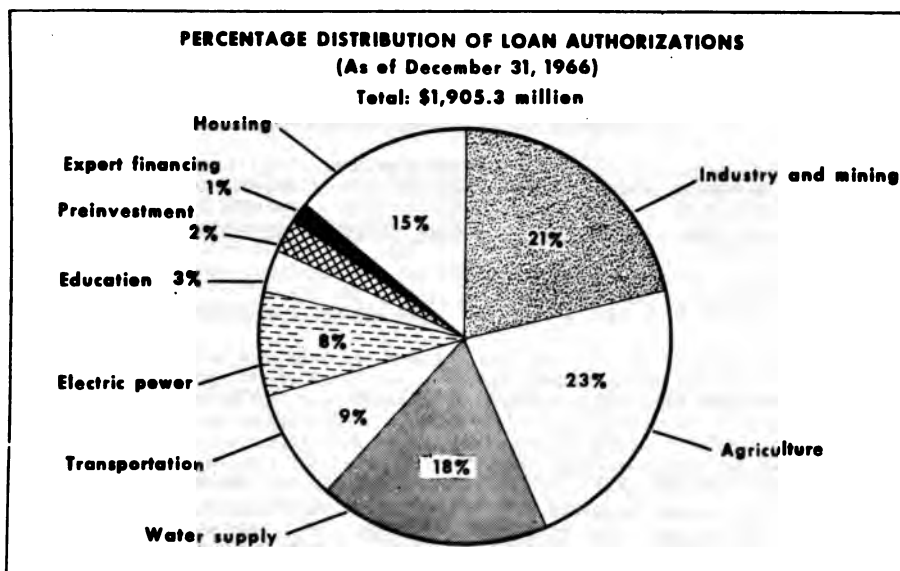
- The modernization or expansion of 73 centers of higher education and advanced training. The projects include the construction of buildings at 29 centers, the acquisition of equipment for 70, library improvements at 25, and technical assistance for 23 centers. The total enrollment of the centers which are benefitting from the Bank's loans is expected to be 244,000 by 1970.

As of December 31, 1966, construction at 6 projects had been completed; 26 per cent of the construction funds had been invested at another 16 centers; about 15 per cent of the equipment had been made available to 30 centers; 12 per cent of the technical assistance had been extended at 8 centers and about 12 per cent of the funds for library material had been invested.

- In the preinvestment field, the Bank's loans are contributing to the establishment of 8 national and 1 regional preinvestment funds designed to provide a continuing flow of prepared development projects suitable for financing. In addition, some 27 other loans are being devoted to specific preinvestment projects.

2.12 In accordance with the provisions of its Charter, the Bank has extended financial and technical assistance to all Latin American member countries. Nevertheless, taking into account the necessity of achieving balanced development of the region, the Bank has endeavored to give preferential attention to the relatively less developed countries. This is confirmed by the fact that of the total value of loans granted by the Bank as of December 31, 1966, ten of the member countries, which by reason of their per capita income could be considered in the latter category, have received the equivalent of US\$12.73 financing per capita, while for the other countries the ratio is US\$7.43 per capita. The Bank proposes to maintain in the future this policy of special attention to the relatively less developed countries.

Figure 3



2.13 The average commitment rate for the years 1961-66 was approximately US\$125 million per year in ordinary capital operations and US\$193 million from the FSO and SPTF combined. The total resources available to the Bank under its own Agreement and from the Social Progress Trust Fund, and the corresponding loan commitments are as follows:

## ANNEX C

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Table 2

AVAILABLE RESOURCES AND APPROVED LOAN AUTHORIZATIONS  
FROM THE BANK'S OWN RESOURCES AND FROM THE SOCIAL  
PROGRESS TRUST FUND AS OF DECEMBER 31, 1966 <sup>a/</sup>

(In thousands of dollars or the equivalent)

	Resources available to date (1)	Approved loans (net) Number (2)	Amount (2)	Participations sold and prin- cipal repay- ments received (3)	Balance re- maining for operations (1-2+3)	Borrowing capacity (4)
Ordinary Capital	\$ 771,364 <sup>b/</sup>	139	\$ 747,187	\$56,148	\$ 80,325	\$224,346 <sup>c/</sup>
Fund for Special Operations	1,119,474	130	656,882	12,256	474,848	-
Social Progress Trust Fund	525,000	117	501,234	16,120 <sup>c/</sup>	12,192 <sup>d/</sup>	-
	<u>\$2,415,838</u>	<u>386</u>	<u>\$1,905,303</u>	<u>\$84,524</u>	<u>\$567,365</u>	<u>\$224,346</u>

<sup>a/</sup> Includes all currencies.

<sup>b/</sup> Paid-in capital plus amounts received from borrowings.

<sup>c/</sup> No participations have been sold in SPTF loans.

<sup>d/</sup> Excludes US\$27,694 of capital expended for technical assistance and for operating expenses during early years of the Fund. It is contemplated that a substantial part of the remaining balance will be used for technical assistance.

<sup>e/</sup> Based on callable capital subscription of the United States. Also reflects reduction in available callable capital by reasons of sale of US\$383,334 in guaranteed participations to the Instituto Español de Moneda Extranjera (Spain).

2.14 Operations authorized in 1966 with ordinary capital resources were US\$100.9 million, that is slightly below the yearly average of US\$129 million while the US\$291.3 million of operations financed from the FSO were substantially above the average of US\$174 million for the FSO and SPTF taken together before. It is anticipated that in each of the years 1967 and 1968, the Bank will process operations in somewhat greater amounts.

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2.15 The estimated program of ordinary capital loans to be processed in 1967 and 1968 represents commitments averaging about US\$175 million annually. The 1967 estimate is based on the loan already authorized and on the substantial number of applications presently in various stages of processing in the Bank. The projection for 1968 is deemed to be realistic in the light of past experience and the administrative capacity of the Bank.

2.16 The operations of the Fund for Special Operations and the Social Progress Trust Fund are dealt with together, as the dollar resources of the SPTF are substantially exhausted, and the expanded resources of the FSO are intended to cover the lending fields previously financed with SPTF resources.

2.17 The 1966 commitment for the FSO totaled US\$291 million. The 1967 and 1968 projections for the FSO operations represent commitments totaling in the order of US\$400 million per year.

2.18 From the beginning the Bank has made every effort to create and expand a market for its bonds in the financial markets of the world. As shown in Table 3, it has placed long-term obligations not only in the United States, but also in six non-member countries: Italy, Germany, the United Kingdom, Spain, Japan and Switzerland. A short-term issue was placed with the central banks or other financial institutions of 15 Latin American member countries of the Bank and of two non-members. The amounts of debt placed in the non-member countries as of December 31, 1966, are summarized in Table 4.

The Bank has sold substantial amounts of participations in its loans, both from the ordinary resources and from the Fund for Special Operations. As of December 31, 1966, these participations amounted to an original sum of US\$28,667,474 and US\$1,645,050, respectively (Table 3).

Table 3

## FUNDED DEBT AND PARTICIPATIONS OF THE BANK AS OF DECEMBER 31, 1966

## A. FUNDED DEBT OUTSTANDING

Payable in United States dollars:

4-1/4% Twenty-Year Bonds of 1962, due December 15, 1982	\$ 75,000,000
4-1/2% Twenty-Year Bonds of 1964, due April 1, 1984 ...	50,000,000
4-1/2% Twenty-Year Bonds of 1964, due November 1, 1984.	100,000,000
4-3/4% Loan of April 1, 1965 from Instituto Español de Moneda Extranjera, Spain, payable in eight annual installments of \$1,562,500 each on April 1, of the years 1970 through 1977 .....	12,500,000
Short-Term Dollar Bonds, First Issue of April 15, 1966 a/	
5% Bonds due April 15, 1967 .....	25,000,000
5-1/8% Bonds due April 15, 1968 .....	29,000,000
5-1/4% Bonds due April 15, 1971 .....	11,000,000

Payable in non-member currencies:

5% Italian Lire Bonds of 1962, due April 1, 1982 (Lit. 15,000,000,000) .....	24,000,000 b/
6% Italian Lire Bonds of 1966, due January 1, 1986 (Lit. 15,000,000,000) .....	24,000,000 b/
5-1/2% German Deutsche Mark Bonds of 1964, due July 1, 1979 (DM. 60,000,000) .....	15,000,000 b/
5-1/2% English Sterling Stock of 1964, due October 1, 1984 (£3,000,000) .....	8,400,000 b/
5% Loan Agreement of June 27, 1966 with the Export-Import Bank of Japan for up to 3.6 billion yen (equivalent to \$10 million) .....	2,080,062 b/
5-3/4% Swiss Franc Bonds of 1966, due September 15, 1981 (Sw. Fr. 50,000,000) .....	11,433,798 b/
	\$387,413,660

## B. PARTICIPATIONS

Ordinary Capital Loans:

In U.S. dollars	
Original amount .....	\$ 28,667,474
Outstanding amount .....	19,611,175

Fund for Special Operations:

In U.S. dollars	
Original amount .....	1,645,058
Outstanding amount .....	1,075,230

a/ Of this issue \$57,000,000 was placed with the central banks or other financial institutions of 15 member countries and \$8,000,000 with central financial institutions of two non-member countries, Israel and Spain.

b/ Expressed in U.S. dollar equivalent.

2.19 The Bank has also entered into various arrangements with several other non-member countries to obtain additional resources for financing development in Latin America. In January 1962, the Bank as agent received from Kreditanstalt für Wiederaufbau of Germany 3,000,000 Deutsche Mark (equivalent to US\$2 million) to be invested in the Operación Triangular with the Corporación Minera of Bolivia. This amount was subsequently increased to a total of DM 32,920,000 (US\$8,230,000). Also on February 17, 1961, the International Committee for European Migration appointed the Bank as its agent for the investment of US\$1,250,000 in the Holambra Cooperative in Brazil. The Bank in 1964 was designated as administrator of funds provided by the External Aid Office of Canada to help finance economic, technical and educational assistance projects in Latin America. With these funds, which now amount to 30 million Canadian dollars, equivalent to US\$27,800,000, loans may be made for terms of up to 50 years. These loans may be free of interest, but bear a service charge and a commission totaling 1-1/4% per annum. It is anticipated that these Canadian funds will be increased from time to time. Pursuant to an agreement signed in April 1966, the Government of the United Kingdom made available to the Bank for its administration an amount of 4,142,300 pounds sterling (equivalent to US\$11,600,000). These funds can be used to make loans with maturities of from 15 to 25 years, with an interest rate which will generally be based on the then current borrowing rate of the United Kingdom Government. An Agreement with Sweden providing for a trust fund in the amount of US\$5 million was signed on December 27 1966, for economic assistance projects in Latin American member countries of the Bank.

In June 1965 the Bank entered into cooperative arrangements with the Export Credits Insurance Corporation of Canada, whereby ECIC agreed to make available up to 15 million Canadian dollars for loans to be made in Latin America on normal development terms, in coordination with the Bank on a parallel or an independent financing basis. The Government of the Netherlands in September 1965 agreed to make available 36,000,000 guilders (equivalent to US\$10 million) for financing economic development projects in Latin America in cooperation with the Bank on a similar basis.

All of these arrangements, together with the funded debt and participations placed by the Bank in non-member countries, are summarized in Table 4 and on December 31, 1966, added up to the equivalent of approximately US\$188 million.



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Table 4

RESOURCES MADE AVAILABLE BY NON-MEMBER COUNTRIES, AS OF  
DECEMBER 31, 1966  
(Expressed in U.S. dollars or dollar equivalent)

<b>A. FUNDED DEBT <sup>a/</sup></b>		
Payable in United States dollars:		
4-3/4% loan of April 1, 1965 from Instituto Español de Moneda Extranjera, Spain.....	US\$ 12,500,000	
Short-term Dollar Bonds, Issue of April 15, 1966 - Purchases of Israel and Spain.....	8,000,000	
Payable in non-member currencies:		
5% Italian Lire Bonds of 1962, due April 1, 1982 (Lit. 15,000,000,000).....	24,000,000	
6% Italian Lire Bonds of 1966, due January 1, 1986 (Lit. 15,000,000,000).....	24,000,000	
5-1/2% German Deutsche Mark Bonds of 1964, due July 1, 1979 (DM. 60,000,000).....	15,000,000	
5-1/2% English Sterling Stock of 1964, due October 1, 1984 (£ 3,000,000).....	8,400,000	
5% Loan Agreement of June 27, 1966 with the Export-Import Bank of Japan for up to 3.6 billion yen (equivalent to \$10 million).....	2,080,062	
5-3/4% Sw. Fr. Bonds of 1966, due September 15, 1981 (Sw. Fr. 50,000,000)	11,433,798	US\$105,413,86 <sup>c</sup>
		<hr/>
<b>B. PARTICIPATIONS IN LOANS SOLD <sup>b/</sup></b>		4,963,203
<b>C. TRUST FUNDS AND FUNDS IN ADMINISTRATION</b>		
Kreditanstalt für Wiederaufbau (32,920,000 marks)	8,230,000	
Intergovernmental Committee for European Migration.....	1,250,000	
Government of Canada (30,000,000 Canadian dollars)	27,800,000	
Government of the United Kingdom (£ 4,142,800).....	11,600,000	
Government of Sweden (US\$5,000,000).....	<u>5,000,000</u>	53,879,74 <sup>d</sup>
<b>D. COOPERATIVE ARRANGEMENTS</b>		
Government of Canada (15,000,000 Canadian dollars)	13,900,000	
Government of the Netherlands (36,000,000 guilders)	<u>10,000,000</u>	23,900,000

<sup>a/</sup> Also included in Table 3.

<sup>b/</sup> Includes \$400,000 sold to Instituto Español de Moneda Extranjera under an agreement by which the Instituto is obligated, up to \$7,500,000, to purchase participations with the Bank's guarantee, equal to the amounts of purchases made in Spain by the Bank's borrowers under standard competitive purchase procedures.

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2.20 A considerable portion of Latin American purchases made abroad from funds obtained through the Bank's loans are carried out in countries which are not members of the Bank. Accordingly, the Bank expects to mobilize from such countries, through appropriate channels, an increasing amount of resources in order to expand its operations in Latin America. This problem is discussed in more detail in the document "Mobilization of Resources from Countries which are not Members of the Bank", presented separately for the consideration of the Board of Governors.

III. General Considerations Relating to an Increase

3.01 The need to increase the Bank resources available to the Bank for the three years 1966-1970 must be analyzed in the broader context of the total requirements of the Latin American countries within the Alliance for Progress program.

The explicit purpose of external aid in the Alliance for Progress is to accelerate the economic development of the Latin American countries to a point where they can sustain a satisfactory development rate on the basis of their own savings. This requires a total flow of external public and private capital in a volume representing a net transfer of resources from abroad to Latin America -- in terms of both goods and services -- capable of significantly increasing the level of capital formation.

3.02 The current level of savings in Latin America is low in relation to the requirements of capital formation. Although the average for the region as a whole is approximately 17% of the gross domestic product, 12 countries have a level of 13% or less and only three countries exceed the average of 17%. In contrast only a very few of the industrialized countries in other regions have a level of savings of less than 20% of the gross domestic product. Historical experience shows that, in general, a level of savings of 13% is barely sufficient to sustain a rate of economic development of 4% a year, which, considering the average rate of population increase in Latin America, would represent an economic growth of only slightly more than 1% a year in per capita terms.

Latin American Foreign Aid Requirements

3.03 Since the inception of the Alliance for Progress a remarkable foreign aid effort in behalf of Latin America has been made. The authorization of official multilateral and bilateral aid to the region, including compensatory aid, 1/ rose from US\$330 million in 1956 to US\$1,060 million in 1960, and US\$2,090 million in 1965. This was reflected in an increase in gross disbursements from an annual average of US\$550 million in the five-year period from 1956 to 1960 to an average of US\$1,180 million in the five-year period from 1961 to 1965; net disbursements rose from US\$330 million per year during 1956-60 to US\$720 million in 1961-65. Countering this favorable tendency however it must be noted that, in the years considered, service on the foreign public debt for amortization and interest rose from US\$450 million in 1956 to US\$1,710 million in 1965. On the other hand, the flow of direct investment 2/ decreased from US\$920 million per year in 1956-60 to US\$290 million a year in 1961-65, while the net flow of credits from suppliers and commercial banks decreased from a yearly average of US\$430 million in 1956-60 to US\$130 in 1961-65.

1/ Compensatory aid includes balance-of-payments loans granted by the International Monetary Fund and financial institutions in the United States, and deferred payments and refinancing operations negotiated with the United States and West European countries

2/ Includes undistributed profits.

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3.04 Summing up these tendencies, it will be noted that, while the net in flow of public capital increased US\$390 million per year between 1956-60 and 1961-65, that of private capital direct investments and credits of suppliers and private banks decreased US\$930 million per year between the same periods. Consequently the net flow to the region resulting from such capital funds was US\$1,140 million per year during 1961-65, compared with US\$1,680 a year during the preceding five-year period.

3.05 The foregoing shows clearly how, in spite of the evident efforts in the field of external public financing made during the years of the Alliance for Progress, the drop which occurred in the flow of private capital has brought about a considerable deterioration of the global situation of outside financing in Latin America. This contrasts with the goal of increasing the total flow of outside capital to the region established in the program of the Alliance for Progress.

3.06 In analyzing the possibility of maintaining an adequate net flow of external resources in the future, allowance must be made for the burden that foreign debt servicing imposes on the balance of payments of the Latin American countries. As noted in a recent publication of the Agency for International Development, <sup>1/</sup> a constant annual volume of development loans authorized on conventional terms (5-1/2% interest and 13-year term, including a 3-year grace period) causes a backflow of funds from the borrower countries to their creditors for payments of principal and interest which, after the eighth year, exceeds the annual amount of these loans. This means that in these conditions the net transfer of resources is rapidly reduced and so, also, are the cash resources available for development purposes. The exceptional increase in the payments on Latin America's foreign public debt in recent years is due, for the most part, precisely to a defective structure of this debt in terms of development needs since it is characterized by a heavy concentration of short- and medium-term maturities. According to the figures as of December 31, 1965, 47% of the outstanding debt of the region had a maturity of 5 years or less 22% had a maturity between 5 and 10 years; and only the other 31% had a maturity of over 10 years. In the case of two of the largest countries in the region, the maturities of less than 5 years accounted for more than 60% of the total outstanding debt.

3.07 The Latin American countries have striven to improve their foreign debt structure through closer control of suppliers' credits and other short-term debts. The foregoing figures, however, indicate that it is necessary for any increase in total foreign aid to include a considerable proportion of soft-term aid so that servicing of the foreign debt will not excessively

<sup>1/</sup> AID, Summary Report of Study on Loan Terms, Debt Burden and Development. April 1965, Repr. March 1966.

<sup>2/</sup> These were, until a short while ago, the usual terms for the conventional loans granted by the IBRD, IDB and Eximbank. The interest rate of the three institutions was recently increased.

increase the pressure on the borrower countries' payment capacity, during the period that must elapse before economic growth produces an improvement in the region's foreign sector.

The need for resources on soft terms is justified also if it is taken into account that, owing to a variety of factors, the cost of money on the international capital markets is presently higher than it was at the beginning of this decade. This phenomenon has had a negative effect on the volume of flow of public and private capital.

3.08 In view of the need for additional foreign aid, the region's capacity to make effective utilization of such assistance must be evaluated. This problem must be examined in the light of the overall investment effort of the Latin American countries since the flow of foreign capital represents only a small part of the capital formation. In this connection, it must be pointed out that although during the five-year period 1961-65, the region's savings and investment co-efficients as a whole remained virtually unchanged, a slight tendency to increase may be noted from 1963 to 1965. At the same time as shown by the figures cited in the preceding pages, Latin America is utilizing an increasing amount of disbursements of foreign public credits; however due to the decrease registered in the flow of foreign private capital, domestic savings has constituted an ever-increasing percentage of total investment.

3.09 The magnitude of the investment effort depends, to a large extent, on the amount of financial resources available, but also on such other factors as the availability of specialized personnel and the existence of adequate institutions and the general organizational and administrative capacity in each country. In this connection it is obvious that the Latin American countries have made a great effort in recent years to improve development programming and organization. Noteworthy, as part of this effort, is the strengthening of official planning agencies the establishment and reorganization of institutions for development of production and of agencies responsible for formulating, executing and administering social programs in such fields as housing construction and water supply and sewerage works; the improvement of tax systems the enactment of laws and implementation of agrarian reform programs, etc. Foreign technical assistance has tended to strengthen the countries' efforts in recent years in each of these fields.

Although the substantial progress achieved by the countries of the region should be recognized the problem of improved economic performance still remains a subject of concern. While considerable progress has been made in the fields of institution building and improving planning efforts, the design and implementation of policies must be strengthened. Member countries are faced with the task of generating, without undesirable monetary impact, increasing amounts of funds both in the public and in the private sectors, which requires a special effort on their part to mobilize internal resources. While the ultimate objective of economic development is dynamic growth of the countries with wider distribution of income it becomes constantly more important to improve the instruments of performance embodied in fiscal and monetary, balance-of-payments, price and wage policies as well as to achieve improvements of administrative nature and reforms of the public sector institutions. The implementation of reform measures and the design of policy

instruments is now further challenged by the requirements of harmonizing such tools within the integration process, so that countries' policies will not only serve the needs of development of the individual nations but will also become effective stimulants towards the realization of goals of regional nature.

This need to improve the instruments of performance is a matter of concern not only for the countries themselves but also for the external lending agencies. It is becoming increasingly apparent that external investments in development programs will become incapable of stimulating economic and social progress to the required extent unless the counterpart contribution by the recipient countries is mobilized more effectively through improved internal "self-help" measures.

The Bank, as a key instrument of the Alliance for Progress has in the past through the actions of the Board of Governors and the Board of Executive Directors taken heed of the need for self-help and reform as indispensable to progress. The Bank intends in the future to concern itself even more with the relationship between self-help measures and its lending programs and policies, and to intensify its collaboration with CIAP in the performance of the latter's responsibility as a multilateral entity to spur self-help measures and to evaluate institutional progress of the countries of the region, including fiscal and monetary reforms, within the context of the countries' development efforts.

#### The Proposed Increase in the Bank's Resources

3.10 For the years 1961 through 1965 the Bank's loan authorizations - including those from the Social Progress Trust Fund - averaged US\$303 million a year. In 1966 the volume of loan authorizations rose to US\$392 million.

3.11 In view of the magnitude of the financial needs, the Latin American countries' requirements of foreign resources in the near future will surely exceed the level in recent years. Probably part of the new requirements could be met through an expansion of the activities of other financial agencies. The IDB, however, must be in a position to provide a substantial part of the increased financing required.

3.12 This underscores the necessity of having the Bank ensure at the proper time the resources essential for maintaining an adequate operating level. Since the Bank portfolio is comparatively new, loan repayments by the member countries will not reach a substantial volume in the period between 1963 and 1970. Dollar recoveries on loans made from the ordinary capital will not exceed US\$40 million a year until 1969 and will have to be used largely to redeem the bonds issued by the Bank. Furthermore, repayments of loans from the Fund for Special Operations will not reach a substantial volume until the beginning of the 1970's.

3.13 It must also be taken into account that despite past and future efforts, any additional resources the Bank may obtain from non-member countries through bilateral agreements will probably continue to be a comparatively secondary factor. From this it may be concluded that the volume of funds at the Bank's disposal will continue to depend primarily, at least during the

three years under consideration, on borrowings in the capital markets and on new subscriptions and contributions from the member countries, particularly the United States.

3.14 During the period 1968-1970, the Bank should attain a lending volume of at least US\$550 to US\$600 million per year. This would represent an increase of US\$150 to US\$200 million per annum over the level of recent years. This is a modest amount in terms of the total needs for resources in the region in the near future, when account is taken of the new responsibilities which the Bank will have to undertake, in addition to intensifying its activities in sectors in which it is already engaged.

3.15 The economic integration process which is taking place in Latin America represents a new and growing demand for financing through international institutions. The Bank should be able to meet these additional demands with increased resources, in accordance with the provisions of the Charter of Punta del Este.

The Bank has already granted loans amounting to more than US\$120 million in order to finance integration projects in the fields of industry, transportation, power and higher education; this amount includes operations carried out under the program for the financing of intra-regional exports of capital goods. It should be mentioned that integration projects frequently require large investments having their impact only in the long run. Thus, the local contribution towards financing regional projects is often a great effort which should be stimulated by offering favorable terms and conditions. These considerations would allow such projects to be eligible for financing through the Fund for Special Operations.

There is no doubt that the measures recently adopted towards accelerating the integration process will act as an incentive for the preparation and completion of more multinational projects, not only in the infrastructural sector, but also in agricultural, industrial and service enterprise of regional scope.

On the other hand, it is expected that the Preinvestment Fund for Latin American Integration, which recently began operations, will simplify the preparation of preliminary feasibility and engineering studies. It is well known that the absence of such studies has been an obstacle to increased investment of multinational benefit. Furthermore, for the preparation of these studies the Preinvestment Fund itself will require a far greater amount of resources than is presently available.

Although the Bank is by no means the only source of funds for multinational projects, the mandates set down by its Board of Governors for promoting the external financing of integration programs, and the resolutions which have recently been adopted at the regional level place upon the Bank the responsibility of acting as a catalyst in such operations, in cooperation with other sources of financing.

3.16 The expansion of intra-regional trade is considered by the Bank as an indispensable requisite for the acceleration of economic growth in Latin America. Guided by this criterion, beginning in 1964 the Bank instituted a program for the financing of intra-regional exports of capital goods. The fundamental objective of this program has been to facilitate the expansion of intra-regional trade, thus stimulating the development of the region's capital goods industry.

The program has been successful, as demonstrated by the fact that of the US\$30 million originally assigned by the Bank for this purpose, by the end of 1966 a total of US\$26.9 million had been committed for lines of credit granted to several member countries. It is the Bank's judgment that, as the integration process in the region advances, and the volume of intra-regional trade increases, additional resources will be required not only to strengthen the present program, but also to broaden its field of action, taking into account the proposals made by the member countries.

3.17 The development of the agricultural sector has been one of the most important objectives of the Bank, but will require greater foreign financial support in the future. In its first six years of operations, from 1961 to 1966, the Bank allocated to rural development of the member countries about 40 per cent of the total loans authorized, that is, nearly US\$750 million. Of this sum, US\$428 million or 23% of the total was for direct investment in agricultural production, while the rest provided for economic infrastructure and social facilities including technical assistance projects in behalf of the agricultural sector.

A productive, modern and growing agricultural sector in Latin America is not only of paramount importance to strengthen the region's capability to improve its food supply and to keep pace with the growing population, but also would allow Latin America to eventually participate in meeting the food deficit in those parts of the world that are experiencing serious shortages. Moreover, due to the fact that the agricultural activity is the largest employer in the overall economy of Latin America, investments in this sector tend to have important income effects which allow the rural population to be a more active participant in absorbing growing industrial production, through the improvement in purchasing power. It is expected that the magnitude of the Bank's resources directed to support productive investments in agriculture will be stepped up.

Among the serious limitations to the growth of agriculture have been the scarcity of specific investment projects suitable for financing and the inadequacy of overall agricultural planning. Through concentrated assistance of the preinvestment type as well as by joint arrangement with specialized agencies such as FAO, the generation of soundly conceived projects is making considerable headway. Likewise, CIAP in collaboration with other agencies is strengthening its activities in broader agricultural planning.

3.18 In its first 6 years of operations, the Bank has made available US\$65 million for loans designed to support the efforts of the member countries in improving their systems of advanced education. It is the purpose of the Bank not only to continue but to increase the rate of lending activities for education purposes, taking into account the great multiplying effects which originate in improved education.



The shortage of technical and professional personnel has tended to become an increasingly important limitation to the development effort and has thus been recognized by the members of the Bank. The annual growth rate of enrollment in higher education now stands at 9 per cent, i.e., around three times that of population growth. The absorption of students is severely hampered by shortcomings of diverse nature, including particularly the dearth of physical and research facilities.

Complementing the activities of the institutions which are responsible for primary and secondary education, the Bank should broaden its activities to cover vocational and technical training in addition to advanced education. Concentrated efforts in the fields of technical, vocational and higher education generally will mean increased demands upon external financing to cover part of the capital investments required.

As a part of the general effort towards planning of the overall economies educational planning has increasingly become a major factor of preoccupation in Latin America and is already resulting in concrete overall programs. Through technical assistance efforts the Bank has been actively engaged in promoting such planning activities in several member countries as a result of which specific projects will be stimulated. It is important that the Bank increase the magnitude of its resources devoted to the implementation of these programs to cover a wider range of the educational requirements of the member countries.

3.19 The principal involvement of the Bank so far in the field of public health has been through the support towards improvement in environmental sanitation, mainly through loans in the fields of water and sewerage. To this end, in the first 6 years of operations the Bank has lent to the member countries close to US\$350 million, i.e. nearly 18 per cent of its total portfolio; the amount includes allocations for technical assistance, which have allowed the member countries to make institutional improvements of great importance.

Health conditions in the region still continue to be an important impediment to an accelerated rate of development. In supplying part of the financing required for water and sewerage, the Bank has been conscious of the fact that it is only touching upon one segment of the health sector as such and that several other related activities will have to be stimulated concomitantly. The countries' efforts within their national health planning activities stress greater emphasis on measures of preventive health, so as to prolong life expectancy and decrease the high mortality and morbidity rates due to diseases which lend themselves to eradication or sharp reduction.

Further support of health requirements will focus on rural health, to be undertaken primarily within community development programs; the Bank's involvement in potable water supply and sewerage programs would also be continued. The Bank will seek to fulfill its role in the support of other economic sectors which have direct bearing on improved health, such as pharmaceutical, biological and nutritional industries.

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3.20 Consequently, to achieve an average operating level of approximately US\$550 to \$600 million a year for the 1968-70 period -- which, as stated earlier, represents a minimum requirement with regard to both the needs of the countries and their capacity -- the Board of Directors is of the opinion that, after allowing for the recoveries on its loans, an increase of US\$1,000 million in the callable capital and the equivalent of US\$1,200 million in the Fund for Special Operations is absolutely essential. The proposed increase in the callable capital would make it possible to guarantee, during the three years indicated, taking into account only the United States subscription, bond issues in the amount of approximately US\$420 million. This amount, together with the recoveries on the loans, would enable the Bank to maintain an approximate level of US\$175 million per annum in its ordinary operations. In its Fund for Special Operations activities, the Bank could maintain a level of approximately US\$400 million per year.

3.21 The Board of Directors believes that the proposed level of the Bank's operations for the 1968-1970 period could prove insufficient, considering the existence of viable and economically feasible projects that may be expected as a result of the progress in the member countries in the planning field, the establishment of new technical machinery for pre-investment purposes -- a process in which the Bank's loans are playing an increasingly important role -- and the efforts to mobilize domestic resources for development purposes. If such were the case, the Board of Executive Directors would adopt, sufficiently in advance, the necessary recommendations for securing the additional resources needed.

IV. Ordinary Capital - Specific Analysis of Increase

4.01 The need for and the size of an increase in the ordinary capital and the timing thereof must be appraised in the light of the Bank's authorized and projected ordinary operations as examined in the preceding chapter. As of December 31, 1966 total dollar and non-member currency ordinary capital resources consisted of \$265.8 million paid-in capital and \$387.4 million of borrowed funds against which a total of \$643.2 million in loans had been committed. Taking into account participation sales and loan repayments, uncommitted dollar and non-member currencies available for commitment on that date amounted to approximately \$58.5 million.

4.02 Currencies of the Latin American countries representing their share of the portion of the paid-in capital required to be paid in local currencies initially amounted to the equivalent of \$115.8 million. As of December 31, 1966 the equivalent of some \$104.0 million in such currencies had been committed, leaving a balance equivalent to about \$21.9 million, including loan repayments.

4.03 In order to assure sufficient available resources to meet the 1967-68 projected ordinary lending operations the Bank must borrow funds in the capital markets using its callable capital as guarantee. In order to secure the lowest possible rates and to obtain the widest acceptance of its bonds, the Bank has agreed to limit its borrowing and guarantees to the amount of the subscription of the United States to the Bank's callable shares. The total United States callable capital presently subscribed amounts to \$611.76 million. Against this amount, the Bank has incurred a funded debt of \$387.41 million, leaving the Bank a borrowing capacity of \$224.35 million.

Assuming additional borrowing at normal rates, relatively little further borrowing capacity will be left after the end of 1967. Taking into account funds realized from amortizations, resources available would barely suffice to cover the projected rate of commitments through 1968. A similar situation may arise in 1970.

4.04 A small decline in the level of available resources below the volume of projected lending leads inevitably to a slowdown in new authorizations. Furthermore, sufficient leeway in the timing of bond issues is essential to permit the Bank to enter the market when conditions are most favorable. If bond issues were scheduled solely on the basis of immediate requirement of funds, the Bank might be in a position of having to borrow at an inconvenient time, probably at a higher cost. To take account of these factors, the Board of Executive Directors should be granted reasonable authority to determine the exact date of the subscription within the years 1968 and 1970, respectively.

4.05 It is clear from the foregoing discussion that to maintain in the years 1968-70, inclusive, the lending rate of \$175 million per annum which appears desirable, it is necessary to take measures as soon as possible to authorize an increase of \$1 billion in the callable capital stock. Subscriptions to this increase would be distributed among the member countries in proportion to their present subscriptions, as follows:

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Table 5

ORDINARY CAPITAL OF THE  
INTER-AMERICAN DEVELOPMENT BANK  
(In United States dollars or the equivalent)

Subscribed Capital as of December 31, 1966		Proposed Increase	Total Capital after increase	Percentage of total
Faid-in	Callable			
\$ 51,570,000	\$ 172,910,000	\$ 121,340,000	\$ 345,820,000	12.68
4,140,000	13,880,000	9,740,000	27,760,000	1.02
51,570,000	172,910,000	121,340,000	345,820,000	12.68
14,160,000	47,480,000	33,320,000	94,960,000	3.48
14,150,000	47,440,000	33,280,000	94,880,000	3.48
2,070,000	6,940,000	4,870,000	13,880,000	0.51
2,760,000	9,260,000	6,500,000	18,520,000	0.68
2,760,000	9,260,000	6,500,000	18,520,000	0.68
2,070,000	6,940,000	4,870,000	13,880,000	0.51
2,070,000	6,940,000	4,870,000	13,880,000	0.51
31,150,000	111,150,000	76,000,000	222,300,000	8.15
2,070,000	6,940,000	4,870,000	13,880,000	0.51
2,070,000	6,940,000	4,870,000	13,880,000	0.51
6,910,000	23,170,000	16,260,000	46,340,000	1.70
150,000,000	611,760,000	411,760,000	1,173,520,000	43.04
5,530,000	18,540,000	13,010,000	37,080,000	1.36
27,630,000	92,640,000	65,010,000	185,280,000	6.80
\$81,530,000	1,388,240,000	956,660,000	2,726,430,000	100.00
18,420,000	61,760,000	43,340,000	123,520,000	
\$ 400,000,000	\$ 1,450,000,000	\$ 1,000,000,000	\$ 2,850,000,000	

V. Fund for Special Operations - Specific Analysis of Increase

5.01 The size of the increase in the Fund for Special Operations which the Board of Governors agreed to recommend to the member governments at their Annual Meeting in April 1964 was calculated on the basis of a decision to incorporate into the operations of the Fund for Special Operations the functions previously handled through the Social Progress Trust Fund and to expand its role in other fields of social development. The resolution provided for an increase of the equivalent of \$900 million, of which \$750 million was to be contributed by the United States and the equivalent of \$150 million by the Latin American members of the Bank in their own currencies. The total amount was divided into equal annual installments payable on December 31, 1964, 1965 and 1966. This schedule of payments reflected the Governors' determination to provide sufficient funds for the Bank's "soft loan" operations for the three-year period from January 1, 1965 through December 31, 1967. The payment of the first installment was, however, postponed until June 30, 1965, to give the member countries more time to approve the increase. This delay in bringing the resolution into effect has stretched out the initially projected period to mid-1968. At the beginning of 1968, the FSO should have a carry-over of approximately \$64.3 million available for 1968, which, assuming the rate of operations established in the prior two years, would imply exhaustion of the dollar resources within the first quarter of that year.

5.02 In the light of the additional responsibilities on the Bank to finance the area of economic integration and to increase its lending in the field of agriculture and education while at the same time maintaining a normal rate of lending for other activities which the Bank has been financing with the resources of the Fund for Special Operations, in the period of 1968-70 an increase of the equivalent of US\$1.2 billion payable, in three installments, is required. Of this increase, US\$900 million would be contributed by the United States and US\$300 million by the Latin American members of the Bank in their own currencies.

The increase in the contributions takes into account the amount of US\$100 million which the Bank is expected to devote annually to economic integration projects, utilizing for this purpose appropriate sums from the Ordinary Capital, the Fund for Special Operations and any other resource. It should, of course, be understood that the figure which has just been mentioned is not to be regarded as a limitation upon the resources which the Bank may devote to the financing of integration projects if an increase in the needs for this purpose justifies greater activity on its part.

5.03 The doubling of the quotas of the Latin American members of the Bank as compared with the last increase in the Fund reflects the desirability of strengthening the principle of self-help by the member countries.

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5.04 Many activities of the Fund require a substantial amount of local currency expenditure. However, in relation to the financing of local costs with dollars, recognition must be given to the problem of the balance of payments of the United States, and the Bank will attempt to hold such financing to an appropriate minimum. The Bank is also striving to improve the present procedures whereby such local cost financing is carried out with the least effect on the United States balance of payments. In the light of these problems, which should be regarded as basically transitory in nature, the Bank and its members fully appreciate the difficulties inherent in United States responsibilities in the free world. Accordingly, the Bank proposes to cooperate in the greatest possible degree with the United States in meeting these difficulties by suitable measures, which obviously would be subject to review as conditions changed.

The percentage of dollar financing for local costs will be established in accordance with the nature and priority of the projects but in such a manner that, on the average, this percentage, except in relation to education and agriculture, will not exceed the level which prevailed in 1966.

Furthermore, the contributions of the four Latin American members whose quotas in the Fund are the largest will be available in part for financing local costs in addition to financing exports under Bank projects from these countries. The Board of Executive Directors, in consultation with these member countries and such others as may adhere to this system, shall determine the general rules for its implementation.

5.05 The increase in the Fund for Special Operations would be contributed by the member countries as follows:

Table 6

FUND FOR SPECIAL OPERATIONS OF THE  
INTER-AMERICAN DEVELOPMENT BANK

(In United States dollars or the equivalent)

Country	Contributions paid as of December 31, 1966	Proposed increase	Total contri- butions after increase
Argentina	\$ 48,873,000	\$ 66,804,000	\$ 115,677,000
Bolivia	3,924,000	5,364,000	9,288,000
Brazil	48,873,000	66,804,000	115,677,000
Chile	13,419,000	18,342,000	31,761,000
Colombia	13,410,000	18,330,000	31,740,000
Costa Rica	1,962,000	2,682,000	4,644,000
Dominican Republic	2,616,000	3,576,000	6,192,000
Ecuador	2,616,000	3,576,000	6,192,000
El Salvador	1,962,000	2,682,000	4,644,000
Guatemala	2,616,000	3,576,000	6,192,000
Haiti	1,962,000	2,682,000	4,644,000
Honduras	1,962,000	2,682,000	4,644,000
Mexico	31,419,000	42,948,000	74,367,000
Nicaragua	1,962,000	2,682,000	4,644,000
Panama	1,962,000	2,682,000	4,644,000
Paraguay	1,962,000	2,682,000	4,644,000
Peru	6,546,000	8,946,000	15,492,000
United States	900,000,000	900,000,000	1,800,000,000
Uruguay	5,241,000	7,164,000	12,405,000
Venezuela	26,187,000	35,796,000	61,983,000
TOTAL	\$1,119,474,000	\$1,200,000,000	\$2,319,474,000

5.06 It appears not unlikely that between the forthcoming Board of Governors meeting and the effective date of the resolution increasing the resources of the Fund, a new member may be admitted to the Bank. Accordingly, the proposed resolution provides that such a member shall contribute to the increase as a condition for its admission and that the contributions of the other members, except the United States, shall be reduced proportionately, keeping the overall total to US\$1.2 billion.

It may be added that no analogous provision is required in the proposed resolution providing for an increase in the callable capital, since Resolution AG-3/64 created US\$300 million in additional capital stock of the Bank to provide for the admission of new members.

## ANNEX C

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VI. Action Recommended and Procedure for Voting on Proposals

6.01 The foregoing analysis shows that sufficient dollar resources have been made available during 1965 and 1966 to meet the anticipated level of lending from the Fund for Special Operations into the first half of 1968. The action to provide for augmentation of FSO resources, therefore, should be taken in 1967 to provide sufficient additional funds for 1968.

Similarly, the margin of callable capital now available to the Bank is only sufficient to meet the requirements of the ordinary operations through 1968. Considering the mechanics and the length of time required to legislate into effect an increase in the ordinary capital, action by the members in 1968 is needed.

6.02 Accordingly, the Board of Executive Directors recommends that the Board of Governors adopt the draft resolutions annexed to this report, namely:

Annex A - Increase of US\$1.2 billion in the Resources of the Fund for Special Operations.

Annex B - Increase of One Billion Dollars in Authorized Callable Capital Stock and Subscriptions Thereto.

6.02 The resolutions are presented for votes by the Board of Governors in accordance with the procedures for voting without a meeting established by Section 5 of the By-Laws of the Bank.

Separate votes are required on each resolution. To be valid, the votes for the resolution attached as Annex A must be received at the seat of the Bank on or before December 31, 1967. Votes for the resolution attached as Annex B must be received at the seat of the Bank on or before such date in the calendar year 1968, not earlier than October 31, as the Board of Executive Directors shall determine.



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## ANNEX C

## PROPOSED RESOLUTION

INCREASE OF \$1,200,000,000 IN RESOURCES OF FUND FOR  
SPECIAL OPERATIONS

WHEREAS, at the Seventh Annual Meeting of the Board of Governors it was resolved that the Board of Executive Directors study the possibility of enlarging the resources of the Bank by means of an increase in the authorized capital stock and an increase in the resources of the Fund for Special Operations and present a report and recommendations to the Board of Governors;

WHEREAS the Board of Executive Directors of the Bank, having considered said question, has concluded that action to increase the resources of the Fund for Special Operations would be desirable;

WHEREAS Article IV, Section 3 (g), of the Agreement Establishing the Bank provides for increases in the resources of the Fund through additional contributions by the members, and

WHEREAS the Board of Executive Directors has submitted an appropriate proposal therefore to the Board of Governors,

The Board of Governors

RESOLVES that:

- (a) Subject to the provisions of this resolution, the resources of the Fund for Special Operations shall be increased in the equivalent of US\$1,200 million through additional contributions by the members as follows:

<u>Country</u>	<u>Contributions</u> (In U.S. dollars or the equivalent)
Argentina	\$ 66,804,000
Bolivia	5,364,000
Brazil	66,804,000
Chile	18,342,000
Colombia	18,330,000
Costa Rica	2,682,000
Dominican Republic	3,576,000
Ecuador	3,576,000
El Salvador	2,682,000
Guatemala	3,576,000
Haiti	2,682,000
Honduras	2,682,000
Mexico	42,948,000
Nicaragua	2,682,000
Panama	2,682,000

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Paraguay	\$ 2,682,000
Peru	8,946,000
United States	900,000,000
Uruguay	7,164,000
Venezuela	35,796,000

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\$1,200,000,000

In the event any new member is admitted to the Bank prior to the effective date of this resolution, such new member shall contribute to the total established in this paragraph in proportion to the contribution required as a condition of its admission, and the contribution of the other members, except the United States, shall be reduced accordingly.

- (b) Each member shall make its additional contributions in its own currency, and the entire amount of each contribution shall constitute national currency to which the provisions of Article V, Sections 1 (c) and 4, of the Agreement Establishing the Bank, shall be applicable.
- (c) The additional contributions shall be made in three equal installments, payable, respectively, on or before December 31, 1967, December 31, 1968, and December 31, 1969, or such later dates as the Board of Executive Directors may determine.
- (d) None of the additional contributions shall become payable unless at least 14 members whose increased contributions total not less than the equivalent of US\$1,125 million shall each have deposited with the Bank, on or before December 31, 1967, or such later date as the Board of Executive Directors may determine, an appropriate instrument setting forth their agreement to their making the contributions to the increase in the Fund for Special Operations in accordance with the terms of this resolution.

## PROPOSED RESOLUTION

INCREASE OF ONE BILLION DOLLARS IN AUTHORIZED CALLABLE  
CAPITAL STOCK AND SUBSCRIPTIONS THERETO

WHEREAS at the Seventh Annual Meeting of the Board of Governors it was resolved that the Board of Executive Directors study the possibility of enlarging the resources of the Bank by means of an increase in its authorized capital stock and an increase in the resources of the Fund for Special Operations and present a report and recommendations to the Board of Governors;

WHEREAS the Board of Executive Directors of the Bank, having considered said question, has concluded that action to increase the authorized callable capital stock of the Bank would be desirable;

WHEREAS Article II, Section 2(e), of the Agreement Establishing the Bank, provides for increases in the capital stock of the Bank; and

WHEREAS the Board of Executive Directors has submitted an appropriate proposal therefore to the Board of Governors,

The Board of Governors

RESOLVES that:

SECTION 1. Increase in the Authorized Capital

- (a) Subject to the provisions of paragraph (b) hereof, the authorized capital stock of the Bank shall be increased by \$1 billion, in terms of United States dollars of the weight and fineness in effect on January 1, 1959, divided into 100,000 shares having a par value of US\$10,000 each.
- (b) Such increase shall become effective only if, on or before such date in the calendar year 1963, not earlier than October 31, as the Board of Executive Directors shall determine, members shall have agreed, through the deposit of an appropriate instrument with the Bank, to subscribe at least US\$750 million in accordance with Section 2 of this resolution.

SECTION 2. Subscriptions

- (a) In accordance with Article II, Section 3(b), of the Agreement Establishing the Bank, each member may subscribe to a number of the shares of the callable capital stock authorized by this resolution equal to the proportion which all its capital stock heretofore subscribed bears to the total of the

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## ANNEX C

initial authorized capital stock and of the increase authorized by Resolution AG-1/64 of the Board of Governors approved January 23, 1964. The respective number of shares for each member shall be as follows:

<u>Country</u>	<u>Subscriptions</u> (In shares of US\$10,000 each)
Argentina	12,134
Bolivia	974
Brazil	12,134
Chile	3,332
Colombia	3,329
Costa Rica	487
Dominican Republic	550
Ecuador	650
El Salvador	487
Guatemala	550
Haiti	487
Honduras	487
Mexico	7,800
Nicaragua	437
Panama	437
Paraguay	487
Peru	1,626
United States	41,176
Uruguay	1,301
Venezuela	6,501
Unassigned	<u>4,334</u>
	<u>100,000</u>

- (b) The subscription of each member shall be on the following terms and conditions:
- (i) The subscription price per share shall be \$10,000 in terms of United States dollars as aforesaid;
  - (ii) One half of the increase with respect to each member shall be subscribed on or before such date in the calendar year 1968, not earlier than October 31, as the Board of Executive Directors shall determine and the other half shall be subscribed during the calendar year 1970, on such date as the Board shall establish.
  - (iii) Each member shall represent to the Bank that it has taken all necessary action to authorize such subscription and shall furnish to the Bank such information thereon as the latter may request;

- (iv) The installment of the subscription of each member shall become effective as of the date when all the terms and conditions specified in the preceding paragraphs of this section have been fulfilled with regard to at least 75 per cent of the total of the respective installments of all the members.

PROVISIONS FOR INCREASES IN RESOURCES CONTAINED IN AGREEMENT  
ESTABLISHING THE BANK

The Agreement Establishing the Inter-American Development Bank contains a number of provisions concerning increases in the ordinary capital and the Fund for Special Operations. Those significant for this report may be summarized as follows:

The pertinent provisions relating to the ordinary capital are:

Article II, Section 2 (e), which provides the authorized capital stock of the Bank may be increased when the Board of Governors deems it advisable and in a manner agreed upon by a two-thirds majority of the total number of Governors representing not less than three-fourths of the total voting power of the member countries.

Article II, Section 3 (b), which provides that in case of an increase in capital pursuant to Section 2 (e), each member shall have a right to subscribe, under such conditions as the Bank shall determine, to a portion of the increase in stock equivalent to the proportion which its stock theretofore subscribed bears to the total capital stock of the Bank, but no member however shall be obligated to subscribe to any part of such increased capital.

As for the Fund for Special Operations, Article IV, Section 3 (g), of the Agreement, states that the resources of the Fund shall be increased through additional contributions by the members when the Board of Governors considers it advisable by a three-fourths majority of the total voting power of the member countries. The same proportionality provisions with respect to the quota of each member are to apply in the case of an increase in the resources of the Fund for Special Operations as are applicable for an increase in the ordinary capital resources of the Bank.

**Annex D**

**RESOLUTION AG-8/67**

**APPROVAL OF RECOMMENDATIONS IN THE REPORT OF THE  
BOARD OF EXECUTIVE DIRECTORS ON THE MODIFICATION OF  
THE PROVISIONS FOR THE ELECTION OF EXECUTIVE DIRECTORS**

The Board of Governors,

Having considered the report of the Board of Executive Directors on March 30, 1967, as amended in the fourth plenary session of the Eighth Annual Meeting, proposing modifications of the provisions for the election of Executive Directors,

**RECOMMENDS:**

That the members take such action as may be necessary and appropriate to give effect to the resolution proposed in said report.

(Approved at the Fourth Plenary  
Session, April 27, 1967)

INTER-AMERICAN DEVELOPMENT BANK

Annex E

GN-275-7

REPORT ON PROPOSED MODIFICATION OF THE PROVISIONS  
FOR THE ELECTION OF EXECUTIVE DIRECTORS



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ANNEX E

PROPOSAL FOR MODIFICATION OF THE METHOD OF ELECTING EXECUTIVE  
DIRECTORS OF THE INTER-AMERICAN DEVELOPMENT BANK

I. Introduction and major conclusions

1.01 In accordance with the request contained in Resolution AG-5/66 of the Board of Governors, the Board of Executive Directors has analyzed the provisions for the election of Executive Directors of the Inter-American Development Bank, set forth in the Agreement Establishing the Bank.

1.02 The Board of Executive Directors considers it advisable that measures be taken to modify those provisions and, accordingly, submits to the Board of Governors for consideration the proposed resolution appended to this report, which would amend Annex C of the Agreement Establishing the Bank so as to facilitate the election of the Executive Directors provided for in paragraph (c) of the Annex.

1.03 In reaching this conclusion, the Board of Executive Directors took into consideration the difficulties encountered in the three elections of Executive Directors that have been held and the recommendation contained in its report on the possibility of enlarging the resources of the Bank by increasing the authorized capital stock by US\$1 billion.

II. Procedure for the election of Executive Directors

2.01 As provided in Article VIII, Section 3 (b), of the Agreement, one Executive Director is appointed by the member country having the largest number of shares (United States), and six are elected by the Latin American member countries pursuant to the provisions of Annex C of the Agreement. In the election of these six directors, the first four must receive a number of

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votes that represents a percentage not less than the sum of the percentages appertaining to the country with the greatest voting power (Argentina and Brazil) and to the country with the least voting power (Costa Rica, El Salvador, Haiti, Honduras, Nicaragua, Panama and Paraguay), while the last two directors are elected by the countries whose votes were not cast in favor of any of the first four directors to be elected, on the basis of one vote for each country. Article VIII, Section 4 (a) provides that the basic voting power of each country is 135 votes plus one vote for each share of ordinary capital stock it has subscribed.

2.02 The pertinent provisions of Annex C of the Agreement currently read as follows:

- "(c) In the first place, as many ballots as are necessary shall be taken until each of four candidates receives a number of votes that represents a percentage not less than the sum of the percentages appertaining to the country with the greatest voting power and to the country with the least voting power. For the purposes of this paragraph, the total voting power of the countries entitled to participate in the voting provided for under this annex shall be counted as 100 per cent.
- "(d) In the second place, governors whose votes have not been cast in favor of any of the directors elected under paragraph (c) of this annex shall elect the other two directors on the basis of one vote for each governor. The two candidates who each receive a greater number of votes than any

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## ANNEX E

other candidate, on the same ballot, shall be elected executive directors, and the balloting shall be repeated until this occurs. After the balloting has been completed, each governor who did not vote for either of the candidates elected shall assign his vote to one of them.

The number of votes under Article VIII, Section 4, of each governor who has voted for or assigned his vote to a candidate elected hereunder shall be deemed for the purposes of Article VIII, Section 4 (c) (ii) to have counted toward the election of such candidate."

### III. Experience in past elections

3.01 In the opinion of the Board of Executive Directors it is clear that the difficulties which have arisen in the elections held until now are due essentially to the fact that not all the countries contemplated in Annex A of the Agreement became members of the Bank. Therefore, not all the votes originally assigned to the Latin American countries are cast in the elections. To compensate for the absence of those votes, one of the four candidates elected under the weighted voting procedure in paragraph (c) of Annex C has had to obtain, in each election, the support of six or seven countries with a low individual voting power, leaving only four or five countries to participate in the election of the two executive directors under the unit voting procedure of paragraph (d).

3.02 These difficulties were somewhat accentuated in the 1966 election by the increase in authorized capital provided for by Resolution AG-1/64, which raised the number of votes required for election under paragraph (c).

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They would be further compounded when the proposed new increase became effective, as shown in Table I.

3.03 In response to a proposal made by the Central American Governors at the Annual Meeting in Panama, the Board of Governors, at its Meeting in Paraguay in April 1965, approved Resolution AG-7/65, which recognized the special position of the Central American Isthmus and its movement toward regional economic integration by providing that, for all purposes of the Agreement, except for voting, the executive director whose candidacy was presented by the Governors for the countries composing the Central American Common Market would be considered as representing those countries. This provision was also made applicable with respect to the URUPABOL group, consisting of Uruguay, Paraguay and Bolivia, and to other groups of countries formed for joint representation in international organizations. This decision was an attempt to satisfy the demand of the smaller countries that they be assured unified representation, on a rotating basis, in the Board of Executive Directors.

IV. Proposed solution and procedure for its approval

4.01 After examining various alternative solutions to the problem, the Board of Executive Directors believes that the formula that should be adopted is that which least alters the procedure established in Annex C, in view of the fact that this procedure was the result of lengthy negotiations in the Specialized Committee which drafted the Agreement Establishing the Bank in 1959 and that the purpose of those negotiations was to ensure adequate representation in the Board of Executive Directors for countries with limited voting power. The Board of Executive Directors therefore recommends

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TABLE I

LATIN AMERICAN COUNTRIES. VOTING POWER

<u>Country</u>	<u>ORIGINAL</u>		<u>AFTER RESOLUTION AG-1/64</u>		<u>AFTER PROPOSED INCREASE</u>	
	<u>No. of votes</u>	<u>%</u>	<u>No. of Votes</u>	<u>%</u>	<u>No. of votes</u>	<u>%</u>
Argentina	10,449	21.38	22,583	21.85	34,717	22.00
Bolivia	963	1.97	1,937	1.87	2,911	1.85
Brazil	10,449	21.38	22,583	21.85	34,717	22.00
Chile	2,967	6.07	6,299	6.09	9,631	6.10
Colombia	2,965	6.07	6,294	6.09	9,623	6.10
Costa Rica	549	1.12	1,036	1.00	1,523	0.96
Dominican Republic	687	1.41	1,337	1.30	1,987	1.26
Ecuador	687	1.41	1,337	1.30	1,987	1.26
El Salvador	549	1.12	1,036	1.00	1,523	0.96
Guatemala	687	1.41	1,337	1.30	1,987	1.26
Haiti	549	1.12	1,036	1.00	1,523	0.96
Honduras	549	1.12	1,036	1.00	1,523	0.96
Mexico	6,765	13.84	14,565	14.09	22,365	14.17
Nicaragua	549	1.12	1,036	1.00	1,523	0.96
Panama	549	1.12	1,036	1.00	1,523	0.96
Paraguay	549	1.12	1,036	1.00	1,523	0.96
Peru	1,517	3.10	3,143	3.04	4,769	3.02
Uruguay	1,241	2.54	2,542	2.46	3,843	2.44
Venezuela	5,661	11.58	12,162	11.76	18,663	11.82
TOTAL:	48,881	100.00	103,371	100.00	157,861	100.00

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## ANNEX E

that the present procedure be maintained and that, in order to resolve the difficulties which arise from the fact that one of the candidates elected under paragraph (c) is obliged to obtain the support of six or seven countries, a reduction be made in the minimum percentage of votes required to elect the last director in the event that all but one of the candidates obtain the percentage of votes required in paragraph (c). This would be accomplished by amending the paragraph to read as follows:

"(c) In the first place, as many ballots as are necessary shall be taken until each of four candidates receives a number of votes that represents a percentage not less than the sum of the percentages appertaining to the country with the greatest voting power and to the country with the least voting power. However, in the event that all but one of the candidates receive the required number of votes on one of the ballots, the last candidate shall be considered also elected if he receives a number of votes that represents a percentage not less than the sum of the percentages appertaining to the country with the greatest voting power which had not cast its votes in favor of one of the other candidates and to two countries with the least voting power. For the purposes of this paragraph, the total voting power of the countries entitled to participate in the voting provided for under this annex shall be counted as 100 per cent."

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## ANNEX E

This formula would resolve the difficulties in electing the candidates provided for in paragraph (c), regardless of the country groupings, and would also make it possible for nine countries with limited voting power to join in electing two candidates under paragraph (d), which would meet their desire for unified representation, on a rotating basis, in the Bank.

4.02 The Agreement Establishing the Bank provides that it may be amended by a decision of the Board of Governors by a two-thirds majority of the total number of Governors representing not less than three fourths of the total voting power of the member countries.

4.03 Accordingly, the Board of Executive Directors submits to the Board of Governors the proposed resolution appended to this report, which is intended to amend paragraph (c) of Annex C of the Agreement Establishing the Bank in the form described in Section 4.01 hereof.

4.04 It is recommended that the Board of Governors consider this proposed resolution during the Eighth Annual Meeting and, if it deems it advisable, propose to the member countries that they take the measures required to bring it into force.

4.05 The above-mentioned resolution is presented for vote by the procedure for voting without a meeting established by Section 5 of the By-Laws of the Bank. For these purposes, the Governors shall submit their votes by any means of written communication, and the votes, to be valid, must be received at the seat of the Bank on or before December 31, 1967.

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## PROPOSED RESOLUTION

MODIFICATION OF PROVISIONS FOR ELECTION OF  
EXECUTIVE DIRECTORS

WHEREAS, at the Seventh Annual Meeting of the Board of Governors it was resolved that the Board of Executive Directors examine the desirability of modifying the provisions for the election of Executive Directors set forth in the Agreement Establishing the Bank;

WHEREAS, the Board of Executive Directors of the Bank, having considered said question, has concluded that action to modify such provisions for the election of Executive Directors would be desirable; and

WHEREAS, the Board of Executive Directors has submitted an appropriate proposal therefor to the Board of Governors,

The Board of Governors

## RESOLVES THAT:

Paragraph (c) of Annex C to the Agreement Establishing the Inter-American Development Bank is hereby amended to provide as follows:

"In the first place, as many ballots as are necessary shall be taken until each of four candidates receives a number of votes that represents a percentage not less than the sum of the percentages appertaining to the country with the greatest voting power and to the country with the least voting power. However, in the event that three of the candidates receive the required number of votes on one of the ballots, the fourth candidate shall be considered also elected if he receives a number of votes that represents a percentage not less than the sum of the percentages appertaining to the country with the greatest voting power which had not cast its votes in favor of one of the three candidates mentioned and to two countries with the least voting power. For the purposes of this paragraph, the total voting power of the countries entitled to participate in the voting provided for under this annex shall be counted as 100 per cent."



Annex F

RESOLUTION AG-6/67

HARMONIZATION OF THE OPERATING POLICY OF THE BANK WITH THE  
"DECLARATION OF THE PRESIDENTS OF AMERICA"

WHEREAS:

The "Declaration of the Presidents of America" signed on April 14, 1967, at Punta del Este contains principles, objectives and goals for economic integration and industrial development, for multinational action for infrastructure projects, for improvement of international trade conditions, for modernization of rural life and increase of agricultural productivity, and for educational, technological and scientific development and intensification of health programs, all for the benefit of the peoples of Latin America; and

The Inter-American Development Bank, as the regional agency for the financing of Latin American development, is responsible for implementing, within the sphere of its competence, the measures agreed upon by the Chiefs of State,

The Board of Governors

RESOLVES:

1. That the Inter-American Development Bank shall harmonize its operating policy with the principles, objectives and goals set forth in the "Declaration of the Presidents of America".

2. That the Board of Executive Directors is charged to undertake without delay a study of the Declaration with a view to adopting all such measures, within the sphere of its responsibilities, as may be required to implement the purposes stated and the determinations agreed upon by the Chiefs of State at their meeting in Punta del Este, particularly those designed to bring about the harmonious and balanced development of the countries of Latin America.

(Approved at the Third Plenary Session,  
April 26, 1967)



**INTER-AMERICAN DEVELOPMENT BANK • SEVENTH ANNUAL REPORT**

**1966**



## MEMBER NATIONS

ARGENTINA  
BOLIVIA  
BRAZIL  
CHILE  
COLOMBIA  
COSTA RICA  
DOMINICAN REPUBLIC  
ECUADOR  
EL SALVADOR  
GUATEMALA  
HAITI  
HONDURAS  
MEXICO  
NICARAGUA  
PANAMA  
PARAGUAY  
PERU  
UNITED STATES  
URUGUAY  
VENEZUELA

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PRESIDENT

INTER-AMERICAN DEVELOPMENT BANK  
WASHINGTON, D. C. 20577

CABLE ADDRESS  
INTAMBANC

March 27, 1967

Mr. Chairman:

Pursuant to Section 2 of the By-Laws of the Bank, the Board of Executive Directors has authorized me to submit the Annual Report of the Bank for 1966 to the Board of Governors.

The first part contains a report on the operations and the audited financial statements of the ordinary capital resources, which are published pursuant to the provisions of Article VIII, Section 6(a), of the Agreement Establishing the Bank.

The second part presents a separate report and the financial statements of the Fund for Special Operations in accordance with the provisions of Article IV, Section 8(d), of the Agreement.

The third part contains a separate summary and the financial statements of the Social Progress Trust Fund, which the Bank, as Administrator, presents pursuant to Section 5.04 of the Agreement signed between the United States Government and the Bank, as well as information on the progress on the projects for which disbursements were made.

I should like to point out that the Bank has separately published "Socio-Economic Progress in Latin America," the Sixth Annual Report of the Social Progress Trust Fund, 1966. That publication contains a presentation of the institutional reforms and social progress achieved by the borrowing countries.

The fourth part summarizes the activities carried out by the Bank with other funds which it has mobilized for Latin America's economic and social development from non-member countries.

The report is prefaced by a section devoted to general aspects of the Bank's activities which serves to relate the four parts.

Sincerely yours,

Felipe Herrera

Chairman, Board of Governors  
Inter-American Development Bank



## GENERAL ASPECTS

THE CONTRIBUTIONS of the Inter-American Development Bank to the economic and social development of Latin America again reached new records in 1966. The Bank's lending volume was higher than that of any of its five previous years of operations and disbursements on approved loans and earnings also set new high marks.

The Bank authorized 68 loans totaling \$396,121,895 in 1966, compared with 66 loans totaling \$573,472,865 in 1965, up to then the Bank's highest lending year. The 1966 commitments brought the net cumulative total as of Dec. 31, 1966, to 393 loans aggregating \$1,913,409,735.<sup>1</sup>

A summary of the loans authorized during 1966, as well as cumulative totals, from the Bank's various sources of funds follows:

- **Ordinary Capital Resources:** 15 loans totaling \$100,876,154, bringing the aggregate net total to 139 loans for \$747,186,938.

- **Fund for Special Operations:** 48 loans totaling \$291,305,000, bringing the cumulative total to 130 loans amounting to \$656,881,856.

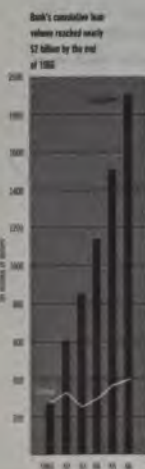
- **Other Resources:** 5 loans totaling \$3,940,741, raising the cumulative total to 7 loans aggregating \$8,107,407. All 7 of these loans were extended from the resources which the Bank has administered for the Canadian Government since 1964.

The resources of the *Social Progress Trust Fund*, the \$525 million Fund which the Bank administers for the United States

Government under the Alliance for Progress program, were virtually all committed in loans and technical assistance at the end of 1965. The cumulative total of loans extended from the Trust Fund remained at 117 amounting to \$501,235,334, as of Dec. 31, 1966. However, the Bank's rate of lending for social projects continued unabated during the year through loans authorized from the expanded Fund for Special Operations.

DISBURSEMENTS on loans during 1966 were also the highest in the Bank's history reaching \$211,828,585, compared with \$182,161,061 in 1965. These brought cumulative disbursements as to Dec. 31, 1966, to \$798,342,338. Thus disbursements amounted to 42 per cent of the Bank's total authorizations, a ratio which reflects the effective use being made by borrowers of the Bank's loans.

THE BANK'S TECHNICAL ASSISTANCE authorizations in 1966 again reached higher levels than those of any previous year. Such authorizations, made on both a reimbursable and a non-reimbursable basis from the Bank's own resources, the Social Progress Trust Fund and the Canadian resources which the Bank administers, amounted to \$29,633,021 compared with \$19,271,929 in 1965. Of the 1966 amount, \$26,571,740 was reimbursable and \$3,061,281 was non-reimbursable. As of Dec. 31, 1966, net cumulative technical assistance authorizations had reached \$82,112,933, of which \$66,567,924 was reimbursable and \$15,545,029, non-reimbursable.



<sup>1</sup> In this report dollar figures used may include, as appropriate, the U.S. dollar equivalent of amounts in other currencies.

The high level of technical assistance operations during the year was due in measure to the heavy emphasis placed by the Bank in 1966 on the field of pre-investment, under a policy adopted in 1963 to speed up the flow of technically well-versed development projects for financing by internal and external sources of capital. Under this policy, the Bank extends loans to help establish funds devoted to the continuing preparation of pre-investment studies. In 1965 the Bank extended such loans in Brazil and Chile and in 1966 in Argentina, Bolivia, Mexico, Paraguay, Peru and Uruguay, and to the Inter-American Bank for Economic Integration, in the latter case for projects of a small scope in its member countries.

IN LATIN AMERICAN countries are contributing substantially greater domestic resources for the development projects which the Bank is helping to finance than the resources provided by the Bank's loans, as was locally demonstrated on page 5. Thus, \$396 million in loans extended by the Bank during 1966 is being matched by a \$454 million mobilized by the borrowers in carrying out projects whose estimated total cost is about \$850 million. On a cumulative basis, the Bank's \$1.9 billion loans have helped to finance projects whose estimated cost exceeds \$5 billion, of which the Bank has provided 38 per cent and the borrowers 62 per cent.

THE BANK'S steadily rising lending and technical assistance contributions to Latin America's program have been made

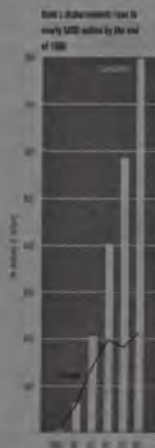
possible largely by the continuing volume of resources which the Bank has received from its own member countries as well as from other countries.

During 1966 the Bank obtained additional resources amounting to nearly \$440 million. This amount included the third and final payment of \$300 million made by member countries to the \$900 million increase in the resources of the Fund for Special Operations adopted in 1965. The first two tranches were totally paid in by the Bank's members in 1965. This increase made possible the sizable volume of lending from the Fund in 1965 and 1966.

In 1966 the Bank enlarged the lending capacity of its ordinary capital resources by borrowing or arranging to borrow a total of \$110,453,798 in the world's capital markets. All of the 1966 borrowings were made outside the United States. The 1966 borrowings included:

- A 15 billion lire (equivalent to \$24 million) 20-year bond issue sold in Italy (page 13).
- A 3.6 billion yen (\$10 million) 15-year loan which the Export-Import Bank of Japan agreed to make available to the Bank (page 14).
- A 50 million Swiss francs (\$11,433,798) 15-year bond issue sold in Switzerland (page 15).
- A \$65 million short-term bond issue, with maturities of one, two and five years, sold to central banks and governmental institutions in 15 of the Bank's Latin American member countries and in Spain and Israel (page 14).

Subsequent to the period covered by





## GENERAL ASPECTS

The subscribed  
ordinary capital resources  
of the Bank have risen  
to \$1,789,829,598



Contributions to the  
Fund for Special Operations  
rose sharply in 1965 and 1966  
to \$1,716,614,000



A total of \$225 million has been  
contributed to the  
Social Progress Trust Fund



this report, on Jan. 17, 1967, the Bank sold a 5.20 per cent 25-year \$50 million bond issue in the United States. This brought the Bank's cumulative borrowings in the world's capital markets to \$445,355,798 of which \$275 million had been arranged in the United States and \$170,355,798 in other markets.

In 1966 the Bank also obtained additional resources in administration amounting to \$25,859,099. These included:

- A 10 million Canadian dollar increase (equivalent to \$9,259,259) in the resources the Bank is administering for Canada. Such resources now total 30 million Canadian dollars (page 137).

- 4,142,800 pounds sterling (equivalent to \$11,999,840) which the Bank agreed to administer for the United Kingdom for economic assistance projects in Latin America (page 138).

- A \$5 million fund the Bank agreed to administer for the Government of Sweden for economic development projects in Latin America (page 139).

During 1966 the Bank also sold participations for a total of \$4,608,500 in its ordinary capital resources loans. These brought cumulative participations in the loans extended from the ordinary capital resources and the Fund for Special Operations to \$30,312,552 by Dec. 31, 1966.

WHILE THE resources which the Bank received in 1966 are providing for the Bank's current needs, the Bank will require substantial additional resources in the near future to maintain or expand its volume of operations. To meet this need the Board of Governors initiated action at its Seventh Annual Meeting in Mexico City in 1966 to replenish the Bank's resources.

The Governors adopted a resolution calling on the Board of Executive Directors "to study the possibility of enlarging the resources of the Bank by means of an increase in the authorized capital and an increase in the resources of the Fund for Special Operations."

The same resolution asked the Board of Executive Directors to study new means to increase multilateral economic assistance to Latin America and to submit a report to the Board of Governors as soon as practicable. The Board of Directors was also asked to examine "the desirability of modifying the provisions for the election of Ex-

ecutive Directors set forth in the Agreement Establishing the Bank." At year end these studies had been carried out by the Board of Executive Directors and were to be presented opportunistically to the members.

AGRICULTURE was given special emphasis in the Bank's 1966 lending as a means of strengthening that sector's contributions to Latin America's general development. A total of \$107,590,000 of the Bank's 1966 lending volume was devoted to that sector.

At the same time the Bank continued its support for other development sectors. Industry and mining received \$54,100,000 of the Bank lending; electric power, \$29,500,000; transportation, \$27,500,000; water supply and sewage systems, \$65,950,000; housing, \$46,975,000; education, \$29,100,000; preinvestment, \$22,441,000, and export financing, \$14,766,000.

Within these sectors, the support given by the Bank in 1966 to education, export financing and preinvestment was particularly notable, being in each case more than double the amount committed in any previous single year.

On a cumulative basis, agriculture is the Bank's leading loan sector. Some \$427.6 million of the Bank's lending has been channeled directly into agriculture through projects for farm credit, colonization and settlement, irrigation, livestock development, crop diversification and related activities. In addition, a great many other Bank-financed projects in such fields as transportation, power, water supply, housing, education and preinvestment also indirectly benefit the agricultural sector. If all of these are taken into account the total financing of the Bank which helps the Latin American agriculture sector would rise to about \$750 million.

Next to agriculture in the distribution of the Bank's loans is the industrial and mining sector, which has received \$101.8 million. Electric power received \$155.7 million; transportation, \$164.4 million; water supply and sewage systems, \$549.5 million; housing, \$274.1 million; education, \$65.7 million; preinvestment, \$43.7 million, and export financing, \$26.9 million.

RAPID PROGRESS was made during the year in translating the Bank's lending into concrete development achievements.

Highlights of the physical accomplishments expected from the Bank's lending as well as the results achieved as of Dec. 31, 1966, are shown below:

- The bringing into production or improvement of some 4,813,508 acres of farm land. As of Dec. 31, 1966, some 1,569,850 had already been brought into production. In addition agricultural production and productivity in Latin America benefitted from 278,251 credits re lent from Bank loans extended to development institutions.

- The construction, expansion or improvement of 48 industrial plants, of which 29 have already been finished. In addition, some 2,415 credits have been extended to small- and medium-scale industrial enterprises from loans made by the Bank to development institutions.

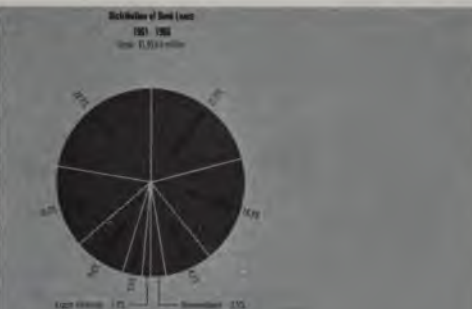
- The expansion of electric generating capacity by 2,710,000 kilowatts; the installation of 7,886 miles of transmission lines, and the construction or improvement of distribution systems in 120 communities with a population of 3 million. As of Dec. 31, 1966, units generating 81,500 kilowatts were in operation; 2,248 miles of transmission lines had been installed and distribution networks in 10 communities with a population of 1 million had been completed.

- The construction or improvement of about 1,545 miles of 10 main highways and 7,870 miles of 124 access and farm-to-market roads. As of Dec. 31, 1966, 1,096 miles had been completed. In addition Bank loans were helping to improve six major Latin American ports: Paranaguá in Brazil, Cartagena, Barranquilla, Santa Marta and Buenaventura in Colombia, and Acapulco in El Salvador.

- The construction, expansion or improvement of 2,540 water supply systems and 253 sewage systems which will benefit a population of 36,700,000 persons. As of Dec. 31, 1966, some 897 water systems and 72 sewage systems had been finished and substantial work had been done on another 367 water and 64 sewage systems.

- The construction of about 297,200 housing units for low-income families which will benefit some 1.8 million persons. As of Dec. 31, 1966, some 149,688 had been finished and 29,450 were under construction. Some 56,474 were built in 1966.

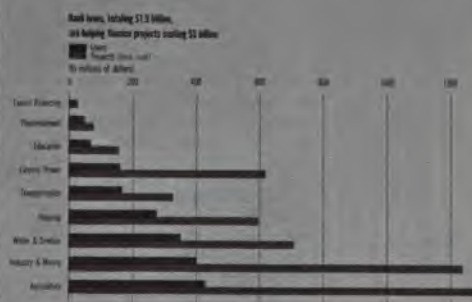
- The modernization or expansion of 75 centers of higher education and advanced training. The projects include the construc-



tion of buildings at 29 centers, the acquisition of equipment for 70, library improvements at 25, and technical assistance for 23 centers. The total enrollment of the centers which are benefiting from the Bank's loans is expected to be 244,000 by 1970.

As of Dec. 31, 1966, construction at 6 projects had been completed; 26 per cent of the construction funds had been invested at another 16 centers; about 15 per cent of the equipment had been made available to 30 centers; 12 per cent of the technical assistance had been extended at 8 centers and about 12 per cent of the funds for library material had been invested.

- In the preinvestment field, the Bank's loans are contributing to the establishment of 8 national and 1 regional preinvestment funds designed to provide a continuing flow of prepared development projects suitable for financing. In addition some 27 other loans are being devoted to specific preinvestment projects.



## GENERAL ASPECTS

Sectors	Bank Resources			Social Progress Trust Fund			TOTAL
	No.	Non-Repayable	Repayable	No.	Non-Repayable	Repayable	
Industry and Mining	28	\$ 152,282	\$ 2,945,464	18			\$ 3,097,746
Agriculture	45	529,191	11,915,678	113	\$1,585,331	\$1,883,500	14,494,009
Electric Power	27	114,791	4,881,600	11			4,996,391
Transportation	9	350,000	2,672,000				2,962,000
Water and Sewage	7	15,000	700,000	37	361,148	1,505,000	2,244,008
Health	6	800	128,000	34	661,561	1,101,261	1,763,622
Education	11	35,000	1,186,000	21	368,721	767,000	2,276,721
Others							
Planning	157	1,054,370	20,955,101	28	1,238,360		21,192,731
Training	89	3,048,001		30	7,000,000		10,048,001
Worldwide	14	370,800		11	105,500		476,300
<b>TOTAL</b>	<b>317</b>	<b>\$ 6,915,475</b>	<b>\$61,981,853</b>	<b>238</b>	<b>\$6,459,513</b>	<b>\$5,390,561</b>	<b>\$12,122,624</b>

<sup>1</sup> Includes authorization for the provision of general and specific preinvestment studies in various fields, and for advisory services, connected with the establishment and strengthening of development institutions, the preparation of development plans and programs, and the determination of investment priorities.

Includes five loans totaling \$3,009,407 for preinvestment studies made from the General Resources which the Bank administers.

THE BANK substantially increased its support for Latin America's economic integration in 1966 as one of the most effective means of stimulating the area's progress. One of the most important measures taken by the Bank in this connection was the establishment of the Preinvestment Fund for Latin American Integration. The Board of Governors had given the Bank a mandate to establish the Fund in a resolution adopted at the Seventh Annual Meeting in Mexico City in April 1966.

The Fund is being devoted to the preparation of feasibility studies of multinational projects designed to spur Latin America's economic integration. It was established July 21, 1966, with initial resources of \$15 million from the Bank's Fund for Special Operations. Subsequently, the United States Government on Sept. 7, 1966, agreed to the assignment of an additional \$1.5 million to the new Fund from the Social Progress Trust Fund.

The Bank will use the resources of the Fund to finance preinvestment studies of multinational infrastructure projects and of the integrated development of geo-economic zones embracing two or more countries, including multinational river basins and frontier areas. The Fund will also be used to finance studies for the establishment of basic industries of a regional scale and the exploitation of natural resources, as well as to carry out research, training, scientific and technological activities.

At year end the Bank had under consideration the Fund's first work program. The program will be presented for consul-

tation and evaluation to CIAP in conjunction with representatives of LAFTA and the Secretariat for Central American Economic Integration (SIECA).

In the preparation of this program the Bank benefited from recommendations contained in a study of "Multinational Investment Programs and Latin American Integration," which had been carried out for the Bank by the consulting firm of Development and Resources Corporation of New York. The study, which was submitted to the Bank in September 1966, recommended that preinvestment studies be carried out on a variety of specific projects in the integration field.

Other highlights of the Bank's activity in the field of economic integration in 1966 included:

- The highest yearly volume of credit extended to date by the Bank under its program to finance exports of capital goods from one Latin American member country to another. The authorizations, which amounted to \$13,780,000, were made under a program initiated by the Bank in 1964 to stimulate the development of the capital goods industry in Latin America and to increase intra-regional trade. The year's authorizations included \$10,780,000 to finance the export of three Brazilian-built ships to Mexico, a \$2 million increase in a line of credit extended in Mexico in 1964 and a \$1 million new line for Nicaragua. As of Dec. 31, 1966, such credits had risen to \$26,903,554 and disbursements to \$8,681,513.



• The approval of two new loans contributing directly to Latin America's integration. One for \$15 million from the Fund for Special Operations will help build the Chilean section of the Trans-Andean highway which extends from Valparaiso, Chile, to Mendoza, Argentina. The other, a loan for \$5 million, also from the Fund for Special Operations, will enable the Central American Bank for Economic Integration to finance preinvestment studies of specific projects of regional Central American interest in the fields of industry, agriculture and infrastructure in both private and public sectors. On a cumulative basis, as of Dec. 31, 1966, the Bank had authorized loans totaling some \$100 million which fostered the Latin American integration process.

• The Institute for Latin American Integration, a unit of the Bank established in Buenos Aires in August 1965, made notable progress in its programs of training personnel, carrying out research and spreading knowledge about the integration process. A summary of its 1966 activities is contained on page 146.

**T**HE EARNINGS of the Bank in 1966 increased substantially over previous years. The net income of the ordinary capital resources amounted to \$6,748,543, compared to \$5,008,711 in 1965 (page 23) and that of the Fund for Special Operations was

\$3,635,680, prior to deducting technical assistance expenses, compared with \$2,876,625 in 1965 (page 77). In addition, the Social Progress Trust Fund registered substantial net income above administrative and technical assistance costs. The net income of the Social Progress Trust Fund amounted to \$5,714,525 in 1966 before deducting charges for technical assistance and currency and other adjustments, compared to \$1,837,481 in 1965 (page 111).

The Bank's substantial net income also greatly increased the Bank's reserves. As of Dec. 31, 1966, the reserves of the ordinary capital resources had risen to \$30,487,521, compared with \$20,962,935 at the end of 1965, and those of the Fund for Special Operations to \$5,783,110, compared with \$3,408,050 in 1965.

Repayments on loans, were also far greater in 1966 than in any previous year, amounting to more than in all the previous five years combined. Repayments in 1966 on loans made from the ordinary capital resources, the Fund for Special Operations and the Social Progress Trust Fund amounted to \$30,111,611, bringing total repayments as of the end of the year to \$57,263,582.

**T**HE SEVENTH Annual Meeting of the Board of Governors was held in Mexico City April 25-29, under the chairmanship



THIS 45,000 KILOWATT HYDROELECTRIC PLANT is under construction on Paraguay's Acaray River with Bank aid. The project has regional importance since it may provide power to neighboring areas in Argentina and Brazil.

## GENERAL ASPECTS

of Antonio Ortiz Mena, Secretary of Finance and Public Credit of Mexico. At the meeting, the Board adopted resolutions:

- Requesting the Board of Executive Directors to study the possibility of enlarging the resources of the Bank, as previously mentioned.

- Requesting the Board of Executive Directors to take steps to establish a Pre-investment Fund for Latin American Integration, also as indicated.

- Approving the financial statements of the Bank with respect to the ordinary capital resources and to the Fund for Special Operations for the fiscal year ending Dec. 31, 1965.

- Selecting Washington, D.C., as the site of the Eighth Annual Meeting of the Board of Governors to be held in April 1967.

The Board of Governors also carried out the third general election of Executive Directors for the three-year period, July 1, 1966, to June 30, 1969. The Board is composed of seven members, six elected by the Latin American member countries and one appointed by the United States. Those elected at the meeting were:

Diego Calle Restrepo, of Colombia, elected by Chile, Colombia and Venezuela.

José Juan de Olloqui, of Mexico, elected by Costa Rica, the Dominican Republic, Haiti, Honduras, Mexico, Nicaragua, Panama and Uruguay.

Carlos Enrique Peralta Méndez, of Guatemala, elected by El Salvador and

Guatemala.

Francisco Norberto Castro, of Argentina, re-elected by Argentina and Peru.

Julio César Gutiérrez, of Paraguay, re-elected by Bolivia and Paraguay.

Victor da Silva, of Brazil, re-elected by Brazil and Ecuador.

Subsequently, on Sept. 23, 1966, W. True Davis was appointed the United States member of the Board for a three-year term.

Under the terms of a resolution adopted by the Board of Governors at their Sixth Annual Meeting, Mr. Peralta Méndez represents all the countries of the Central American Common Market for all purposes of the Agreement establishing the Bank, except for voting. Under the same terms, Mr. Gutiérrez also represents Uruguay and Mr. da Silva also represents Haiti.

As in prior years one of the highlights was the roundtable discussion on Community Development which took place at the meeting at two afternoon sessions. A total of 99 representatives from the Bank's member nations, 48 observers from various organizations and 378 special guests from 41 countries attended the meeting.

During 1966 the Bank improved its administrative structure, particularly in connection with the administration and execution of its loan projects. Of particular importance in this regard were the measures which the Bank took to strengthen the technical representation which the Bank maintains at its regional offices in Latin America.

PORT IMPROVEMENTS in Latin America are made possible by Bank financing. Such assistance is improving harbor facilities here at Piranguá, Brazil; in Cartagena, Barranquilla, Santa Marta, and Buenaventura in Colombia; and in Acapulco, El Salvador.



The Governors and Alternate Governors of the Bank are listed on page 142; the Directors and Alternate Directors on page 143, and the principal officers of the Bank on page 144.

**D**URING 1966 the Bank strengthened its cooperation with other regional and international agencies in order to accelerate Latin America's economic and social development and foster the area's integration.

Particularly significant in this regard was the Bank's role as technical advisor of the Inter-American Committee on the Alliance for Progress (CIAP) in connection with financing the development of its member countries. In this role, the Bank participated in the evaluations of country development efforts and external financial needs which CIAP carried out in 1966.

The Bank also took part in the Fourth Annual Meeting of the Inter-American Economic and Social Council at the Ministerial Level held in Buenos Aires, March 13 to April 1, 1966. That meeting examined progress achieved under the Alliance for Progress and carried out a detailed appraisal of the needs and availability of external and internal financing for development for the Latin American members.

From January 24 to 26 the Bank sponsored a meeting on Municipal Financing in Latin America. The meeting sought means of expanding financial and technical assistance to Latin American municipalities and possible ways of improving municipal development institutions. The meeting, which was held in Washington, was attended by 100 representatives of municipal financing agencies, municipal associations and governmental and private agencies.

The Bank's programs in fostering agricultural development in Latin America were reinforced during the year through cooperative efforts with other regional and international institutions with responsibilities in this field. Thus a cooperative arrangement between the Bank and FAO, in effect since 1965, resulted in the identification, preparation and execution of agricultural development projects in various member countries.

The Bank and the Inter-American Institute of Agricultural Sciences (IICA), a specialized agency of the Organization of American States (OAS), located in Turrialba, Costa Rica, also entered into a co-

operative arrangement Aug. 6 to coordinate their activities in the field of training on agricultural credit and agrarian reform.

On Dec. 9 the Bank, the OAS, CIAP, FAO, ECLA and IICA signed an agreement providing for a continuation and expansion of the activities of the Inter-American Committee for Agricultural Development. Under the agreement, the Committee became an advisory group to CIAP. Representatives of the signatory agencies have been appointed to the Committee to aid its future activities.

The Bank also entered into an agreement with the Government of Israel and the OAS to accelerate the preparation of rural development projects in Latin America through the creation of joint technical bodies which will provide advisory services in this field.

The Bank's cooperation in the OAS-IDB-ECLA Tripartite Committee which provided advisory services on development planning to various member countries concluded on Dec. 31, 1966. In the future, such services will be provided through other consultative procedures. In the Tripartite Committee the three agencies have cooperated in providing advisory services in connection with the national development plans formulated by governmental agencies in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru, and Uruguay, as well as in the regional plan for Central America and a 1967-68 public investment program for the Dominican Republic. The accomplishments of the various tripartite missions were reviewed at the Eighth Meeting of the Inter-American Committee on the Alliance for Progress which took place in Washington in May 1966.

The Bank in 1966 jointly sponsored, along with the U.S. Agency for International Development and the U.S. National League of Insured Savings Associations, the Fourth Inter-American Savings and Loan Conference held in Caracas, Jan. 21-Feb. 4.

The Bank also participated in 1966 in various regional and international conferences, among them the Ninth Regional Conference of FAO for Latin America held in Punta del Este, Uruguay, Dec. 3; the Annual Meeting of the Board of Governors of the World Bank and the International Monetary Fund held in Washington, D.C., in September, and the First Annual Meeting of the Board of Governors of the Asian Bank held in Tokyo in November.



## GENERAL ASPECTS

## Approved loan

Continued on Worksheet 12, Annex

	IBRD (US\$)		IMR (US\$)											
	Amount	Interest	Principal	Interest	Interest on loan	Interest on loan	Interest on loan	Interest on loan	Interest on loan	Interest on loan	Interest on loan	Interest on loan	Interest on loan	Interest on loan
Argentina	4	2,397	0	2,397	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Brazil	5	8,900	0	8,900	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Chile	8	19,885	0	19,885	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Colombia	0	6,716	0	6,716	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Costa Rica	4	11,781	0	11,781	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Cuba	1	481	0	481	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Guatemala	1	13,080	0	13,080	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Honduras	1	13,080	0	13,080	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Paraguay	3	14,231	0	14,231	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Puerto Rico	1	1,301	0	1,301	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Uruguay	2	9,775	0	9,775	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Venezuela	4	19,885	0	19,885	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Yugoslavia	1	1,301	0	1,301	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Zambia	1	1,301	0	1,301	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Peru	1	1,301	0	1,301	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Spain	1	1,301	0	1,301	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Sweden	1	1,301	0	1,301	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Switzerland	1	1,301	0	1,301	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Total	30	146,127	0	146,127	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01







### Part I ORDINARY CAPITAL RESOURCES Operations/Fiscal Year 1966

#### Resources

As of Dec. 31, 1966, the Bank had authorized a net total of \$747,166,938 in loans from its ordinary capital resources. In these loans, the Bank committed resources equal to the \$381,580,000 in paid-in capital which the Bank's member countries have contributed to the Bank as well as a substantial part of the funds which the Bank had borrowed or arranged to borrow in the world's capital markets which, as of Dec. 31, 1966, amounted to \$395,555,798.

The lending capacity of the Bank's ordinary capital resources now rests on its callable capital which constitutes, in effect, a guarantee for the securities placed by the Bank in the world's capital markets. In this regard the Bank obtained additional borrowing authority in 1965 when the member countries completed action to increase the authorized capital of the Bank from the \$850 million with which the Bank began operations to \$2.15 billion.

Thus, at the end of 1966, the total authorized "paid-in" capital of the Bank amounted to \$475 million, of which \$381,580,000 had been paid in and \$93,420,000 was available for subscription by countries which might join the Bank in the future and its current members and the total authorized callable capital amounted to \$1,675 million of which \$1,388,240,000 had been subscribed by the Bank's member countries and \$286,760,000 was available for subscription by future as well as present members. The subscriptions by the Bank's member countries to the ordinary capital resources as of Dec. 31, 1966, are shown in the accompanying table.

#### ORDINARY CAPITAL RESOURCES (Expressed in United States Dollars)

Country	Paid in	Guarantee	Total
Argentina	\$ 31,576,500	\$ 177,800,000	\$ 209,376,500
Bolivia	1,150,000	17,000,000	18,150,000
Brazil	51,579,000	172,315,000	223,894,000
Chile	11,140,000	47,000,000	58,140,000
Colombia	14,130,000	47,000,000	61,130,000
Costa Rica	2,610,000	8,540,000	11,150,000
Dominican Republic	2,700,000	8,540,000	11,240,000
Ecuador	7,780,000	8,540,000	16,320,000
El Salvador	2,070,000	8,540,000	10,610,000
Guatemala	2,700,000	8,540,000	11,240,000
Haiti	2,070,000	8,540,000	10,610,000
Honduras	2,070,000	8,540,000	10,610,000
Mexico	33,130,000	111,130,000	144,260,000
Nicaragua	2,070,000	8,540,000	10,610,000
Panama	2,070,000	8,540,000	10,610,000
Paraguay	2,070,000	8,540,000	10,610,000
Peru	9,310,000	23,770,000	33,080,000
United States	180,000,000	\$11,760,000	\$191,760,000
Uruguay	5,550,000	18,540,000	24,090,000
Venezuela	27,650,000	87,840,000	115,490,000
Total	381,580,000	1,388,240,000	1,769,820,000
Unassigned	93,420,000	286,760,000	380,180,000
Grand Total	\$ 475,000,000	\$1,675,000,000	\$2,150,000,000

The increase in the callable capital completed in 1965 has enabled the Bank to obtain additional resources through borrowings in the world's capital markets for its present lending activities. It might be noted, however, that in the future the Bank will require additional borrowing authority in the form of an increase in its authorized capital to assure itself of resources to maintain or enlarge its operations.

In view of this need, the Board of Governors of the Bank approved a resolution at its Seventh Annual Meeting in Mexico City in April 1966 asking the Board of Executive Directors "to study the possibility of enlarging the resources of the Bank

means of an increase in the authorized total and an increase in the resources of "Fund for Special Operations." The bill, which has been carried out by the aid of Directors, will be submitted to the Bank's member countries opportunistically.

The Bank has raised the largest share in borrowed funds in the United States market, but since it began operating it has also sought to borrow substantial amounts in other markets. Thus the Bank's very first bond issue—one for 15 billion Italian lire (equivalent to \$24 million)—was sold in Italy. Subsequently in 1964 the Bank sold two other issues in Europe: one for 60 million Deutsche marks (equivalent to \$15 million) in Germany and one for 5 million pounds (equivalent to \$8.4 million) in the United Kingdom. In 1965 obtained a loan for \$12.5 million in Spain. These borrowings totaled \$9.9 million.

In 1966 all of the Bank's borrowing commitments, which amounted to the equivalent of \$110,433,798, were made outside the United States, so that by Dec. 31, 1966, total of \$170,553,798 or 43 per cent of the Bank's total borrowings of \$395,333,798 had been made outside the United States; other \$225 million was borrowed in the United States. It might be noted that the \$5,333,798 borrowed in the capital markets up to the end of 1966 represents a per cent less than the \$381,380,000 in capital raised in by the Bank's member countries.

Subsequent to the period covered by this report, on Jan. 17, 1967, the Bank sold a 10 per cent, 25-year \$50 million bond issue in the United States market, bringing

total borrowings in the United States to \$275 million and total borrowings in all markets as of that date to \$443,333,798.

The 1966 borrowings included two long-term bond issues: a further \$24 million in Italy and \$11,433,798 in Switzerland, a long-term loan for \$10 million which the Bank arranged to obtain in Japan, and a short-term issue for \$65 million sold principally in 15 of the Bank's Latin American member countries and in Israel and Spain.

The Italian issue, the second placed in that market, was sold on Jan. 28, 1966. It was for 15 billion freely convertible lire (equivalent to \$24 million) and it was acquired by Mediobanca for private placement in the Italian market. The 6 per cent, 20-year issue was dated Jan. 1, 1966, and will mature Jan. 1, 1986. Through a sinking fund beginning in 1972, the issue will be retired at par by maturity. The Bank may redeem all or part of the bonds at par on Jan. 1, 1970, or on any subsequent interest payment date.

On Aug. 19, 1966, the Bank sold a bond issue for 10 million freely convertible Swiss francs (equivalent to \$11,433,798) in Switzerland. The issue was sold to the public by a group of Swiss banks headed by the Swiss Bank Corporation, the Swiss Credit Bank and the Union Bank of Switzerland. The 1½ per cent 15-year issue, which was dated Sept. 15, 1966, was offered at par and will mature Sept. 15, 1981. It will be redeemed at par in 10 annual installments of 5 million Swiss francs each on Sept. 15 of each of the years 1972 through 1981 so that the entire issue will be re-

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tured by Sept. 15, 1981. The Bank may redeem all or part of the bonds at par on Sept. 15, 1976, or on any subsequent interest payment date.

On June 27, 1966, the Bank arranged to borrow 3.6 billion freely convertible yen (equivalent to \$10 million) from the Export-Import Bank of Japan for a term of 15 years, including a five-year grace period, at an interest rate of 5 per cent annually on amounts actually drawn. The loan is to be repaid in 20 equal, semiannual installments beginning Aug. 20, 1971. The Bank may effect drawings chargeable to the loan within a period of five years.

On April 15, 1966, the Bank sold a first issue of \$65 million of its short-term bonds. Of these \$25 million were 5 per cent, one-year bonds due April 15, 1967; \$29 million were 5-1/8 per cent, two-year bonds due April 15, 1968, and \$11 million were 5-1/4 per cent, five-year bonds due April 15, 1971. A total of \$37 million of the issue was sold to central banks or other governmental financial agencies in 15 of the Bank's Latin American member countries. These included Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Honduras, Mexico, Nicaragua, Paraguay, Peru, Uruguay and Venezuela. The remaining \$8 million was sold to governmental entities in Spain and Israel. This issue was the Bank's first bond sale in Latin American Markets.

In addition to its borrowings, the Bank during 1966 sold participations amounting to \$4,608,500 in its ordinary capital loans. This sum included participations of \$2,187,000 in four of the loans approved in 1966, sales to private commercial banks of \$2,021,500 from the portfolio, and a sale of \$400,000 from the portfolio to the Instituto Español de Moneda Es-

tranjera, under the 1965 agreement in which that Spanish Government agency agreed to purchase up to \$7.5 million in participations in the Bank's ordinary capital loans. The 1966 participations brought the cumulative participations in ordinary capital loans to \$28,667,474. A total of 310 participations in 67 loans were acquired by 62 commercial banks and other financial institutions in the U.S., Canada, Europe and Asia and by the UN Special Fund.

During 1966 the Bank carried out discussions regarding the possibility of selling the Bank's bonds in other capital markets, especially those of Belgium and France, and also channeled additional financial resources towards Latin America's development provided by Canada, Sweden, the United Kingdom and West Germany. The latter are detailed in Part IV of this Report.

## Loans

During 1966, the Inter-American Bank authorized 15 loans totaling \$109,876,155 from its ordinary capital resources. The year's lending brought cumulative authorizations at the end of 1966 to \$747,186,958, a figure net of cancellations and exchange adjustments.

Disbursements on ordinary capital loans during the year totaled \$97,227,007, bringing total disbursements as of Dec. 31, 1966, to \$377,762,867.

A continuing feature of the Bank's lending policy has been the emphasis the Bank has placed on mobilizing as high a domestic participation in the projects being financed as possible. During 1966, the Bank's ordinary capital loans financed some 38 per cent of projects being carried out at a total cost of \$261 million. The remaining 62 per cent came primarily from the borrowers themselves.

Five loans totaling \$30,200,000, nearly a third of the amount committed from the ordinary capital resources in 1966, were devoted to Latin America's private industrial development; four totaling \$18,510,000 to agriculture; two totaling \$17,000,000 to water supply and sewage systems; one for \$20,400,000 to electric power; and three amounting to \$15,780,000 to export financing under the Bank's program of contributing to Latin America's integration by providing medium-term financing to export capital goods from one Latin American member country to another.

Ordinary capital loans of \$70.2 million are helping to finance projects totaling a total of \$23 billion



The five industrial loans were extended to intermediate credit institutions which will relend the proceeds to small and medium enterprises in Latin America. Through this technique the Bank's lending benefits a much broader number of enterprises and thus contributes to a much more diversified private industrial sector. Three of the five were extended to development institutions which had received loans from the Bank in previous years and had largely consumed them by the end of 1966.

These included one for \$6 million (along with \$6 million from the Fund for Special Operations) to the *Banco do Nordeste do Brasil*, to finance development projects in Brazil's underdeveloped Northeast; another for \$3.2 million (accompanied by \$2.8 million from the Fund for Special Operations) to the *Banco de Guatemala* to provide credits for industry, farming and ranching in Guatemala, and a third for \$8 million to *Nacional Financiera, S.A.*, to expand the supply of credit for small and medium industry in Mexico. The fourth loan, one for \$5 million, went to the *Compañía Anónima Venezolana de Desarrollo*, a private development bank in Venezuela, which received such assistance from the Bank for the first time.

Finally, a loan of \$10 million is strengthening the credit operations in Latin America of *ADELA Compañía de Inversiones (Panama), S.A.*, a subsidiary of the multinational investment corporation created by leading firms in Europe, the United States, Canada and Japan to channel private investment funds towards Latin America. The \$10 million will support an *ADELA* program to finance a total of \$43 million in industrial projects throughout the Latin American member countries of the Bank in the four-year period ending in 1969.

The four loans extended for agriculture included \$15,060,000 (along with \$11,080,000 from the Fund for Special Operations) to *Nacional Financiera* for an irrigation project in Mexico's Northwest; \$1.9 million to the *Banco Nacional de Nicaragua* for agricultural credits; \$1.4 million (along with \$2 million from the Fund for Special Operations) to the *Banco Nacional de Panamá* to foster beef, pork and poultry production in Panamá; and \$2,050,000 (along with \$800,000 from the Fund for Special Operations) to the Republic of Peru to help build a dam to expand irrigated areas in Southern Peru.

The electric power loan, one for \$20.4 million, (along with one for \$9.1 million from the Fund for Special Operations), is helping the *Companhia Hidra Elétrica do São Francisco (CHESF)* to finance a project to increase power in Brazil's underdeveloped Northeast by a further 300,000 kilowatts. In 1962 the Bank had extended a \$15 million loan to *CHESF* for a 375,000-kilowatt expansion program which now is virtually complete.

The two water supply and sewage system loans included \$7 million to provide sanitation and other infrastructure facilities for a broad urban renewal program being carried out by the Municipality of Buenos Aires, whose first stage is also being financed with another loan for \$12.2 million for housing from the Fund for Special Operations, and \$10 million to help the *Instituto Nacional de Obras Sanitarias* expand water systems in the Venezuelan cities of Comana, Puerto Cabello and Puerto Ordaz, and the sewage system of Maracaibo.

The three export financing credits included \$10,780,000 to enable the *Banco do Brasil S.A.* to finance the export of three merchant ships to Mexico; \$2 million to increase a line of credit which *Nacional Financiera* had received in 1965, and \$1 million to the *Banco Nacional de Nicaragua* to help that country initiate a program to export capital goods to its neighboring Central American countries. During 1966 revolving credits extended in prior years were also increased by \$986,151 through repayments on such credits.

The rising interest rates which prevailed in the world capital markets in 1966 and the increased costs to the Bank of borrowing funds in such markets led the Bank to raise the interest rate applicable to ordinary capital loans as of Nov. 29, 1966, to 6-1/2 per cent. Loans extended prior to that date in 1966 carried an interest rate of 6 per cent per annum. In all instances the interest rate includes the 1 per cent commission which is allocated to the Bank's special reserve. A commitment fee of 1 per cent on undisbursed balances is also charged on all loans, with the exception of those to finance exports of capital goods.

As in previous years the Bank charged a service commission and a higher commitment fee on portions of loans extended from funds borrowed in Europe due to the higher cost of borrowing funds there.



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The loans extended from the ordinary capital resources during 1966 were authorized for terms ranging from 12 to 20 years, with the exception of the revolving lines of credit to finance exports of capital goods, which were extended for periods of up to four years.

Loans to national governments and some governmental agencies were extended on the basis of the general responsibility of the borrower; in other cases specific guarantees or securities of various types were obtained.

Loans authorized by the Bank from the ordinary capital resources in 1966 are described in the following section, under these categories:

- Industry
- Agriculture
- Electric Power
- Water Supply and Sewage Systems
- Export Financing

## INDUSTRY AND MINING

## BRAZIL

**INDUSTRIAL CREDIT**  
26 million 15-year 6½% loan of Dec. 26, 1964  
(14 million and 12 million in Swiss francs)<sup>1</sup>  
Borrower: BANCO DO NORDESTE DO BRASIL

The *Banco do Nordeste do Brasil*, a development bank established in 1954, initiated a program in 1961 with the aid of a \$10 million loan from the Fund for Special Operations to provide credit to foster private industrial growth in Brazil's Northeast. The *Banco* used the proceeds of that loan to help finance industrial projects involving a total investment of \$45 million, of which the textile industry accounted for about 31 per cent, the chemical industry 27 per cent, metal products 21 per cent, the construction industry 8 per cent, and other sectors 13 per cent.

This loan, together with one for \$6 million from the Fund for Special Operations (page 61), will finance 25 per cent of the cost of a new phase of the credit program, which the *Banco* will carry out under the supervision of the *Superintendência do Desenvolvimento do Nordeste* (SUDENE), the governmental agency in charge of fostering the development of Brazil's Northeast. Some 27 per cent of the proceeds will be allocated to the construc-

tion industry, 39 per cent to textiles, 14 per cent to food processing, 13 per cent to metals, 12 per cent to electrical equipment, 3 per cent to chemical products and 12 per cent to other industries.

The program is designed to accelerate the industrial development of the Northeast region, the nation's least developed area, within the terms of the third plan of SUDENE which is designed to raise per capita incomes in the region. Various incentives are offered by the Federal and State Governments to attract industry to the region. More than half the 30 projects which are scheduled for financing under the new credit program involve the establishment of new companies. The loan is guaranteed by the United States of Brazil.

## GUATEMALA

**INDUSTRIAL AND FARM CREDIT**  
\$2.2 million 18-year 6½% loan of Aug. 7, 1966  
Borrower: BANCO DE GUATEMALA

Through its Five-Year Economic Development Plan for 1965-69 Guatemala hopes to increase its gross domestic product at an average annual rate of 6.8 per cent. To achieve this target, the agricultural sector must expand at a yearly rate of 5.2 per cent and the industrial sector at 12.8 per cent. This in turn will require higher levels of domestic investment and a larger flow of external capital to finance imports of capital goods.

In order to increase the supply of credit available to farmers and industries, the Bank as early as 1961 extended a loan of \$5 million from its ordinary capital resources to the *Banco de Guatemala* for lending to the private sector. As of Dec. 31, 1966, 75 per cent of this loan had been used in financing 63 industrial, housing and agricultural projects.

This new loan, along with two others totaling \$2.8 million (\$2 million and \$800,000) from the Fund for Special Operations (page 61), will enable the *Banco* to expand its credits to private enterprise and thus help to achieve the nation's growth targets. The Bank's loans will cover all of the foreign exchange costs and about 34 per cent of the local costs of a program which the *Banco* will carry out at a total cost of \$10 million.

This loan, along with the one for \$800,000, will be used specifically to extend credits to medium- and large-scale industrial

IN CENTRAL AMERICA, Bank financing is helping to carry out industrial projects built at national and regional scales, among which is this polyester unit plant at Honduras' major industrial center, San Pedro Sula.



<sup>1</sup> See conditions applicable to loans containing Swiss francs on page 51.



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in 1961 for \$9,214,047 and the other in 1964 for \$10 million.

## REGIONAL

**INDUSTRIAL DEVELOPMENT**  
\$10 million 15-year 8½% loan of April 24, 1966  
(\$3 million and 3,125 million lire)  
Borrower: ADELA, COMPAÑIA DE INVERSIONES  
PANAMAL S.A.

ADELA Investment Company, S.A., Luxembourg, was organized in 1964, with authorized capital of \$40 million, by about 120 of the leading banks and industrial firms of Europe, the United States, Canada and Japan to channel private multinational investment funds towards Latin America's private enterprise sector.

ADELA fosters the development of private enterprises through equity investments and loans. At the end of its first year on June 30, 1966, the company had made equity investments of \$20 million and had financed another \$21.2 million through short- and medium-term notes. The Inter-American Bank has maintained a close association with ADELA since its establishment.

This loan, which is being made to a wholly-owned subsidiary, ADELA Compañía de Inversiones (Panama), S.A., represents a new step by the Bank to cooperate with ADELA in stimulating private investment and enterprise in Latin America. The loan will enable ADELA Panama to finance private industrial projects, amounting to some \$43 million, which will be carried out throughout the Latin American member countries of the Bank during the four-year period ending in 1969. In addition to making loans from the proceeds, ADELA Panama will make equity investments from

its own capital in the private projects financed with the loan. ADELA has announced its intention of selling off its shares in such enterprises when conditions permit and preferably to Latin American private investors. The loan is guaranteed by the parent company, ADELA Investment Company, S.A., Luxembourg.

## AGRICULTURE

## MEXICO

**IRRIGATION**  
\$13,040,000 20-year 8½% loan of Dec. 12, 1966  
Borrower: NACIONAL FINANCIERA, S.A.

Northwest Mexico covers some 17 per cent, 133,050 square miles, of the nation's total territory. Properly utilized, its water resources, which amount to 8 per cent of Mexico's total, could irrigate about 6.2 million acres of land. However, due to poor water distribution, only about 4 million acres are currently under irrigation and a sizable volume of water is lost.

To improve the situation, the Government of Mexico in 1954 initiated the Northwest Hydraulic Plan, which provides for the systematic harnessing of the waters of 13 rivers that run in an almost parallel pattern across the coastal plain of the States of Sonora and Sinaloa. The hydraulic projects executed and underway in the region form part of the plan, each representing a link in a vast interconnected system of water resources that will gradually help to bring agricultural development to large areas of currently untilled land.

A substantial volume of internal and external resources have already been devoted to the development of the Northwest region. The Bank has provided a \$20 million loan for a \$112 million program to control and harness the Humaya River in Sinaloa, and the World Bank has lent \$13 million to rehabilitate the irrigation districts of the Yaqui and Mayo Rivers in Sonora and the Fuerte and Culiacán Rivers in Sinaloa.

This new loan will enable Mexico to forge a further link in the system—the Sabino project which is being executed by Mexico's Secretariat of Hydraulic Resources with the cooperation of the *Comisión del Río Fuerte*, a governmental agency in charge of developing the Fuerte River basin. In general, the project provides for the irrigation of some 99,000 acres of land in El Carrizo Valley. Three years after

\* See conditions applicable to loans containing Italian lire on page 31.





is completed the area's agricultural production, currently valued at only \$100,000, is expected to rise to about \$1 million a year.

Finally, this loan, along with another \$1,080,000 from the Fund for Special Operations (page 57), will help finance a 2-mile main canal linking the La Dama Dam on the river, which is being built with World Bank funds, with the Miguel Hidalgo River; a primary canal 12 miles long and a secondary canal 32 miles long of distributing canals, and secondary drainage canals, and of access roads. The Bank's aid will help build 3,300 housing units for communities, together with urban and social services.

The Bank's financing will provide 50 per cent of the total cost of the project estimated at \$48,270,000. The remaining 50 per cent will be provided by the Government of Mexico. This loan will be used to acquire goods and services and is guaranteed by the United States.

**PARTICIPATIONS**—Bankers Trust Company, New York; Fidelity-Philadelphian Company, Philadelphia; Marine Trust Company of Western New York, New York; The Citizens and Southern Bank, Atlanta; and Crocker-Citizens Bank, San Francisco, are participating in the loan for a total of \$11.9 million.

## GUATEMALA

### FINANCING

Under the 8th loan of Nov. 10, 1966, the Banco Nacional de Nicaragua is part of its 1965-69 National Economic and Social Development Plan, the Government of Nicaragua is carrying out a program to expand agricultural production. This loan, along with another for \$5.1 million from the Fund for Special Operations will contribute to the execution of a program which is being carried out at a cost of \$11.9 million.

The loan will enable the Banco Nacional de Nicaragua to extend credits for farm and on-farm improvements and medium-scale producers increase production so that the nation might be able to meet all its own domestic needs and at the same time Nicaragua had slight

exportable surpluses. Up to \$90,000 of this loan may be devoted to technical assistance aspects of the project.

Under the project some 10,000 acres of additional land will be dedicated to rice production to increase output by a total of 10,000 tons yearly by the time the project is completed in three years. Under the program such producers will be able to expand their plantations to an area of approximately 515 acres, the size deemed most economically suitable. The loan is guaranteed by the Republic of Nicaragua.

**PARTICIPATION**—J. Henry Schroder Banking Corporation, New York, is participating in the loan for \$219,000.

## PANAMA

### LIVESTOCK DEVELOPMENT

\$1.5 million 20-year 4½% loan of Sept. 22, 1966  
(\$1 million and \$500,000 in bolívares)

Guaranteed by BANCO NACIONAL DE PANAMA

In 1965 the Government of Panama initiated a rural development program, known as the Rubles Plan, under which a concerted effort is being made to develop six rural areas totaling 1.5 million acres. Drafted by the General Planning Office, the program is designed to promote investments to supply the six areas with such economic and social infrastructure facilities as transportation, education, farm credit, housing, health and water supply in order to increase productivity and production, and raise rural incomes and living standards in Panama's countryside. The overall program calls for an expenditure of \$25 million in the six areas over a period of five years.

During 1966 the Bank extended three loans totaling \$7 million to help finance the program. This loan and another for \$2 million from the Fund for Special Operations (page 58) will enable the Banco Nacional de Panamá to extend credits to medium- and large-scale producers in the areas to increase beef, pork and poultry production. The third loan, \$5.5 million also from the Fund for Special Operations (page 66), will be devoted to the construction of 16 farm-to-market roads with a total length of 126 miles.

The total cost of the credit program is estimated at \$6,078,000. Of this sum 58 per cent will be financed by the Bank and 42 per cent will be provided by the Banco Nacional. Some 85 per cent of the Bank's financing will be devoted to beef production, 10 per cent to pork and 3 per cent to

AGRICULTURAL MECHANIZATION is being brought to Argentina's countryside with help of World Bank financing, nearly 500 tractors, which are being channelled to farmers through the Banco de la Nación Argentina.





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poultry. The remaining 4 per cent will be used to defray costs incurred in the execution of the program. The loan is guaranteed by the Republic of Panama.

## PERU

## DAM CONSTRUCTION

\$2,050,000 20-year 6½% loan of Dec. 28, 1964  
(1850,000, 51 million in Swiss francs and \$100,000 in sales)<sup>1</sup>

Borrower: REPUBLIC OF PERU

Agriculture, the principal economic activity of Peru, has grown more slowly than the economy as a whole over the past decade. This is due, in part, to a lack of suitable land areas for cultivation and to an uneconomic pattern of land distribution. Under its Agrarian Reform Plan, the Peruvian Government is seeking to overcome these shortcomings through the development of lands and their subdivision into economic-size farms.

This loan, together with another for \$800,000 from the Fund for Special Operations (page 59), will help to finance a project to irrigate an area of 17,000 acres of publicly owned lands, on which some 700 farm families are to be settled, and to build other facilities. Specifically, this loan will finance 70 per cent of the cost of an

irrigation dam in Southern Peru near Arequipa, the nation's second largest city.

The dam, to be known as Aguada Blanca, will supplement a system of reservoirs and canals built in the last ten years in the Arequipa area to promote intensive use of the waters of the Colca and Chili River basins. Completion of the Aguada Blanca dam will make possible the utilization of virtually the last available water resources in the Arequipa area.

The project will also contribute to increasing Peru's food production, thus helping to replace imports of foods, and will make possible a better utilization of approximately 25,000 acres of lands presently cultivated in the vicinity.

## ELECTRIC POWER

## BRAZIL

## HYDROELECTRIC PLANT

\$20.4 million 18-year 8% loan of Aug. 23, 1965  
(\$11.4 million, 4,552,500,000 Italian lire and \$1.7 million in cruzeiros)<sup>1</sup>

Borrower: COMPANHIA HIDRO ELÉTRICA DO SÃO FRANCISCO

The *Companhia Hidro Elétrica do São Francisco (CHESF)* is a mixed corporation created in 1945 to harness the resources of the São Francisco River in Northeast Brazil and to supply electric power within a radius of 454 miles from its hydroelectric facility at Paulo Afonso in the State of Bahia. Its area embraces a population of 6.2 million persons. CHESF supplies nearly 90 per cent of the power of Brazil's Northeast.

In 1962 the Bank extended a \$15 million loan from its ordinary capital resources to help CHESF increase the capacity of its Paulo Afonso hydroelectric plant from 240,000 to 615,000 kilowatts. That project is now in its final construction stage.

This new loan, together with another for \$9.1 million from the Fund for Special Operations (page 66), will finance 57.6 per cent of the cost of a new expansion project designed to raise the generating capacity of the Paulo Afonso plant to 915,000 kilowatts. Major works in this stage include construction of a third powerhouse with facilities for four 150,000-kilowatt generators, two of which will be installed under the project; the installation of 314 miles of new primary distribution lines,

HYDROELECTRIC POWER for Brazil is being expanded with aid of several Bank loans. Shown here are control panel of Paulo Afonso plant in Brazil's Northeast and the 2.6 million kilowatt Jopis Falls plant, under construction on the Paraná River near São Paulo.



<sup>1</sup> See conditions applicable to loans containing Swiss francs on page 51.

<sup>1</sup> See conditions applicable to loans containing Italian lire on page 51.

factured goods account for approximately one-fifth of the nation's exports. Interested in increasing such exports, the Government of Mexico was one of the first countries in Latin America to establish a system to finance exports of manufactured goods, and was one of the first to avail itself of the capital goods export financing program which the Bank established in late 1963.

Within this program the Bank in 1964 extended a \$3 million revolving line of credit to *Nacional Financiera, S.A.*, to help finance exports of Mexican capital goods to other Latin American member countries of the Bank. Most of that credit was utilized by the end of 1965.

This second revolving line of credit was added to the first in 1966 to enable *Nacional Financiera* to continue to expand the export financing program. Up to Dec. 31, 1966, *Nacional Financiera* had used a total of \$4,777,708, virtually all of the combined line of credit, in re-financing operations. The capital goods exported under the program included machinery for the manufacture of metal shapes, seamless steel tubing, distillation towers, heat exchangers, pressure tanks, storage tanks, and steel tubing and metal structures.

#### NICARAGUA

\$1 million 6% credit of March 16, 1966  
Borrower: BANCO NACIONAL DE NICARAGUA

Rapid progress in economic integration in Central America offers good possibilities for increasing trade in capital goods in the area. Nicaragua has an incipient capital goods industry in such fields as structures for industrial, agricultural and commercial buildings and components and for this reason the *Banco Nacional de Nicaragua* sought participation in the Inter-American Bank's capital goods export financing program.

This line of credit will enable the *Banco Nacional* to finance exports of Nicaragua's capital goods to countries in Central America. The *Banco Nacional* will utilize the credit line to discount in the Inter-American Bank credit documents which it issues in the medium-term (180 days to five years) financing of Nicaraguan exports of capital goods to other member countries of the Bank. Up to 70 per cent of the value of the *Banco Nacional's*

credits may be refinanced at the Inter-American Bank. Goods eligible for financing under the program must originate in Nicaragua. The credit is guaranteed by the Republic of Nicaragua.

#### Financial Highlights

The net income of the ordinary capital resources in 1966 amounted to \$6,748,343, compared with \$5,008,711 in 1965. The gross income for the year was \$36,047,115, compared with \$27,356,726 in 1965. The year's gross income included \$13,603,524 derived from interest on loans; \$2,790,991 from commitment charges; \$2,776,043 from the 1 per cent commission charge on loans, which is allocated to the special reserve; \$16,820,115 from short-term investments and \$56,442 from other sources.

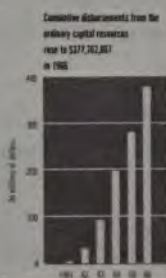
As of Dec. 31, 1966, the aggregate reserves of the ordinary capital resources, including the general reserve and the special reserve, had risen to \$30,487,521, compared with \$20,962,935 on the same date in 1965. The general reserve, made up of net earnings, reached \$23,677,093 as of Dec. 31, 1966. This represented a \$6,748,543 increase over the 1965 figure of \$16,928,550. The special reserve had risen to \$6,810,428 by the end of 1966, an increase of \$2,776,043 over the 1965 figure of \$4,034,385.

The total administrative expenses of the Bank chargeable to the ordinary capital resources in 1966 were \$9,139,786 and the interest paid by the Bank on its funded debt and the amortization of debt discount and expenses in 1966 were \$17,489,798. As of Dec. 31, 1966, the Bank's funded debt amounted to \$387,415,860, compared to \$285,093,548 the previous year.

Disbursements on loans extended from the ordinary capital resources in 1966 amounted to \$97,227,007, compared with \$82,917,140 in 1965. This brought cumulative disbursements on such loans as of Dec. 31, 1966, to \$377,762,867.

Repayments by borrowers on loans in 1966 were more than twice as high as repayments on all of the Bank's previous years of activities. They amounted to \$18,462,416, compared with \$8,784,243 in 1965. This brought total repayments at the end of the year to \$32,609,009.

The audited financial statements of the ordinary capital resources are contained in the following pages.



THERMAL  
CAPITAL RESOURCES

systems. In 1965 the *Instituto Nacional de Obras Sanitarias* of Venezuela, the governmental agency in charge of the potable water and sewage systems of the nation, initiated a plan to expand urban water supply systems in order to supply at least 5.5 million of the nation's city inhabitants.

As part of this effort, this loan, along with another for \$7.2 million from the Fund for Special Operations (page 63), will help to finance the expansion of water supply systems in three cities—Cumaná, Puerto Cabello and Puerto Ordaz—and the sewage system of a fourth—Maracaibo. The four projects will benefit about 1 million persons, 650,000 with water and 295,000 with sewage services.

In Cumaná, catchment works will be constructed in the Camurê River, a conduit from there to the desilter and then to the treatment plant will be built, and the city's distribution network will be expanded to provide services to the entire city. The improved system will supply the demand foreseen for the city in 1985.

In Puerto Cabello, wells, pumping stations, conduits and a treatment plant will be built to meet expected demands in the city through 1990.

In Puerto Ordaz, intake facilities and pumping equipment on the left bank of the Caroní River, and storage tanks and distribution lines will be built to meet demands through 1985.

EXPORTS OF CAPITAL GOODS among Latin American countries are being expanded under imports of Bank's financing. A \$5 million line of credit has enabled Mexico to export such products as storage tanks, seamless pipe, and distillation towers to Argentina.



In Maracaibo, whose water supply system was previously expanded with the aid of a \$6 million Bank loan approved in 1962, sewage conduits, pumping stations and secondary sewage lines will be installed. The improved system will serve 295,000 persons and it can be expanded in the next 15 years to serve up to 500,000. The loan is guaranteed by the Republic of Venezuela.

## EXPORT FINANCING

## BRAZIL

EXPORT OF SHIPS  
\$10,780,000 6½% credit of Dec. 5, 1966  
Borrower: BANCO DO BRASIL S.A.

This \$10,780,000 credit, extended within the Bank's program of financing exports of capital goods from one member country to another, will enable Brazil to export three merchant ships—one 12,700 tons and the other two 33,000 tons each—with an invoice value of about \$16 million to Mexico. They will be built by the shipyards of *Ibikawajima do Brasil Estaleiros S.A.* and *Varalim Estaleiros S.A.* in Rio de Janeiro. The exporter is the Merchant Marine Commission of Brazil and the importer is *Transportación Marítima Mexicana, S.A.*, of Mexico.

The credit is being extended for a 20-month period. As maturities are repaid to the Bank on drawings, the proceeds will be added to available balances to permit the refinancing of up to 70 per cent of the value of the three ships, an amount of about \$11.2 million. The credits to be extended by the *Banco do Brasil* will cover up to 80 per cent of the invoice value of the exported ships. The remaining 20 per cent will be covered by the importer prior to the delivery of the ships.

In 1964 the Bank extended a \$3 million revolving line of credit to the *Banco do Brasil S.A.*, also to finance exports of capital goods. Through Dec. 31, 1966, the *Banco do Brasil* had utilized \$1,801,200 of that line of credit in financing 43 export credits with a total invoice value of \$2,907,807.

## MEXICO

\$2 million 6% credit of Jan. 12, 1966  
Borrower: NACIONAL FINANCIERA, S.A.

Mexico's industrial sector is in an advanced stage of development, and man-



factured goods account for approximately one-fifth of the nation's exports. Interested in increasing such exports, the Government of Mexico was one of the first countries in Latin America to establish a system to finance exports of manufactured goods, and was one of the first to avail itself of the capital goods export financing program which the Bank established in late 1965.

Within this program the Bank in 1964 extended a \$3 million revolving line of credit to *Nacional Financiera, S.A.*, to help finance exports of Mexican capital goods to other Latin American member countries of the Bank. Most of that credit was utilized by the end of 1965.

This second revolving line of credit was added to the first in 1966 to enable *Nacional Financiera* to continue to expand the export financing program. Up to Dec. 31, 1966, *Nacional Financiera* had used a total of \$4,777,708, virtually all of the combined line of credit, in re-financing operations. The capital goods exported under the program included machinery for the manufacture of metal shapes, seamless steel tubing, distillation towers, heat exchangers, pressure tanks, storage tanks, and steel tubing and metal structures.

#### NICARAGUA

\$1 million 6% credit of March 18, 1966  
Borrower: BANCO NACIONAL DE NICARAGUA

Rapid progress in economic integration in Central America offers good possibilities for increasing trade in capital goods in the area. Nicaragua has an incipient capital goods industry in such fields as structures for industrial, agricultural and commercial buildings and components and for this reason the *Banco Nacional de Nicaragua* sought participation in the Inter-American Bank's capital goods export financing program.

This line of credit will enable the *Banco Nacional* to finance exports of Nicaragua's capital goods to countries in Central America. The *Banco Nacional* will utilize the credit line to discount in the Inter-American Bank credit documents which it issues in the medium-term (180 days to five years) financing of Nicaraguan exports of capital goods to other member countries of the Bank. Up to 70 per cent of the value of the *Banco Nacional's*

credits may be refinanced at the Inter-American Bank. Goods eligible for financing under the program must originate in Nicaragua. The credit is guaranteed by the Republic of Nicaragua.

#### Financial Highlights

The net income of the ordinary capital resources in 1966 amounted to \$6,748,543, compared with \$5,008,711 in 1965. The gross income for the year was \$36,047,115, compared with \$27,356,726 in 1965. The year's gross income included \$13,605,524 derived from interest on loans; \$2,790,991 from commitment charges; \$2,776,043 from the 1 per cent commission charge on loans, which is allocated to the special reserve; \$16,820,115 from short-term investments and \$56,442 from other sources.

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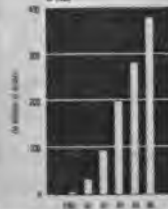
The total administrative expenses of the Bank chargeable to the ordinary capital resources in 1966 were \$9,139,786 and the interest paid by the Bank on its funded debt and the amortization of debt discount and expenses in 1966 were \$17,489,798. As of Dec. 31, 1966, the Bank's funded debt amounted to \$387,413,860, compared to \$285,093,548 the previous year.

Disbursements on loans extended from the ordinary capital resources in 1966 amounted to \$97,227,007, compared with \$82,917,140 in 1965. This brought cumulative disbursements on such loans as of Dec. 31, 1966, to \$377,762,867.

Repayments by borrowers on loans in 1966 were more than twice as high as repayments on all of the Bank's previous years of activities. They amounted to \$18,462,416, compared with \$8,784,243 in 1965. This brought total repayments at the end of the year to \$52,609,009.

The audited financial statements of the ordinary capital resources are contained in the following pages.

Cumulative disbursements from the ordinary capital resources rose to \$377,762,867 in 1966



FINANCIAL STATEMENTS  
ORDINARY CAPITAL

**OPINION OF INDEPENDENT AUDITOR  
ORDINARY CAPITAL**

To: Inter-American Development Bank  
Washington, D. C.

In our opinion, the accompanying financial statements (Appendices I-1 to I-7) present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Ordinary Capital at December 31, 1966, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

**PRICE WATERHOUSE & CO.**

Washington, D. C.  
February 7, 1967

	<b>APPENDIX</b>
Balance Sheet .....	I-1
Statement of Income and Expenses and General Reserve .....	I-2
Funded Debt of the Bank .....	I-3
Summary Statement of Loans .....	I-4
Statement of Subscriptions to Capital Stock and Voting Power .....	I-5
Statement of Currencies and Demand Obligations Held by the Bank .....	I-6
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# 294 INTER-AMERICAN DEVELOPMENT BANK ACT AMENDMENTS

## ORDINARY CAPITAL RESOURCES

### INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

APPENDIX I-1

#### BALANCE SHEET

DECEMBER 31, 1965 AND DECEMBER 31, 1966

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-7

ASSETS	1965	1966
<b>Due from banks (Appendix I-6) (Note B)</b>		
Unrestricted		
United States dollars	\$ 876,983	\$ 938,033
Member currencies other than United States dollars	35,168,577	28,631,823
Non-member currencies	1,052,685	952,085
Restricted (Note C)		
Member currencies other than United States dollars	7,872,348	8,234,289
	\$ 44,970,593	\$ 38,756,230
<b>Investments</b>		
United States Government obligations (at amortized cost—face amount 1965—\$60,800,000; 1966—\$60,000,000)	60,839,271	60,043,835
Time deposits		
United States dollars	183,000,000	233,250,000
Non-member currencies	18,296,494	44,288,224
Accrued interest	5,808,445	10,008,323
	267,944,210	348,198,382
<b>Loans outstanding held by Bank (Appendix I-4) (Note I)</b>		
Total loans approved by Bank since inception, less cancellations	655,683,977	747,186,938
Less principal repayments to Bank	9,178,628	23,552,710
Less loans sold or agreed to be sold	24,972,231	28,667,474
Approved loans held by Bank	621,533,118	694,966,754
Less undisbursed balance of approved loans held by Bank	365,820,574	363,565,671
	255,712,544	331,401,083
<b>Accrued charges on loans held by Bank (Note I)</b>	3,616,019	5,256,263
<b>Due from members (Note D)</b>		
Non-negotiable, non-interest-bearing demand obligations denominated in members' currencies (Appendix I-6)	103,418,432	88,671,935
<b>Land and building (See Appendix II-7, Note G)</b>		
Land	9,938,941	10,013,381
Less reserve for depreciation	236,254	381,001
	9,702,687	9,632,380
<b>Unamortized debt discount and expense</b>	4,912,238	6,308,637
<b>Other assets</b>	744,652	966,029
<b>Special Reserve assets (Note F)</b>		
Due from banks	161,745	178,167
Investments in United States Government obligations (at amortized cost—face amount 1965—\$3,305,000; 1966—\$5,796,000)	3,282,196	5,751,627
Accrued loan commissions	590,444	880,894
	4,034,385	6,810,688
<b>Staff Retirement Plan assets (Segregated and held in trust)</b>	4,550,418	5,986,312
<b>Total assets</b>	<u>\$699,606,176</u>	<u>\$813,986,779</u>

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL  
**BALANCE SHEET**  
 DECEMBER 31, 1965 AND DECEMBER 31, 1966  
 Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-7

APPENDIX I-1

LIABILITIES, RESERVES, FUND BALANCE AND CAPITAL	1965	1966
<b>Liabilities</b>		
Accrued interest on borrowings .....	\$ 2,440,901	\$ 3,402,285
Accrued expenses and accounts payable .....	448,120	753,131
Mortgage payable .....	4,530,256	4,406,144
Funded debt (Appendix I-3) (Note M) .....	285,053,548	307,413,800
Special Reserve (Note F) .....	4,034,385	6,818,428
Staff Retirement Plan Reserve (Note L) .....	4,550,418	5,326,312
Fund for special supervision and inspection of loans (Note K) .....		27,046
<b>Capital</b>		
Capital Stock (Appendix I-5) (Note D)		
Authorized 215,000 shares of \$10,000 per value each		
Subscribed 176,982 shares .....	\$1,769,820,000	\$1,769,820,000
Less—Callable portion .....	1,388,240,000	1,388,240,000
	381,580,000	381,580,000
General reserve (Appendix I-2) (Notes E, H and I) .....	16,928,550	23,677,093
	398,508,550	405,257,093
<b>Contingent Liability—Loan participation as of December 31, 1966 sold under guarantee (Note J) .....</b>	<b>\$383,334</b>	
Total liabilities, reserves, fund balance and capital .....	<u>\$699,606,176</u>	<u>\$813,686,276</u>



# 296 INTER-AMERICAN DEVELOPMENT BANK ACT AMENDMENTS

## ORDINARY CAPITAL RESOURCES INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL STATEMENT OF INCOME AND EXPENSES AND GENERAL RESERVE FOR THE YEARS ENDED DECEMBER 31, 1965 AND DECEMBER 31, 1966 Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-7.

APPENDIX 12

Income	1965	1966
From loans (Note I)		
Interest .....	\$10,308,150	\$ 13,083,534
Commitment charges .....	2,209,363	2,790,981
Commissions (Note F) .....	2,112,795	2,776,843
From investments .....	12,647,414	16,829,115
From other sources .....	79,004	98,442
Gross income .....	27,356,726	36,047,115
Deduct commissions allocated to Special Reserve (Note F) .....	2,112,795	2,776,843
Gross income less reserve deduction .....	25,243,931	33,270,272
Expenses		
Administrative expenses (Notes G and I)		
Board of Governors		
Annual meeting .....	193,040	131,862
Board of Executive Directors		
Salaries .....	238,193	239,710
Other compensation and benefits .....	54,887	64,882
Travel .....	48,822	85,217
Staff		
Salaries .....	3,583,803	4,634,347
Other compensation and benefits .....	1,248,744	1,534,421
Travel .....	489,777	714,871
Other administrative expenses		
Communications .....	277,422	342,210
Office occupancy .....	390,422	508,761
Publications and printing .....	134,928	113,138
Supplies and equipment .....	286,992	388,537
Miscellaneous .....	406,289	482,741
Field offices		
Salaries .....	338,353	231,581
Other .....	507,541	1,029,327
Depreciation (See Appendix II-7, Note G) .....	8,199,213	10,218,125
	109,685	111,465
	8,308,898	10,329,590
Less amounts charged to Social Progress Trust Fund for indirect and overhead expenses by Bank as Administrator (See Appendix III-6, Note B) .....	1,330,018	1,104,794
Total administrative expenses including depreciation .....	6,978,880	9,136,756
Interest on borrowings .....	12,820,134	16,986,886
Amortization of debt discount and expense .....	436,206	584,512
Income before special addition .....	5,008,711	20,225,220
Addition to income arising from retroactive adjustment of rate used in charging Social Progress Trust Fund for indirect and overhead expenses (See Appendix III-6, Note B) .....		584,512
Net income (Notes E, H and I) .....	5,008,711	20,809,732
General reserve beginning of year .....	11,919,839	16,986,886
General reserve end of year (Notes E, H and I) .....	\$ 16,928,550	\$ 23,677,618

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL  
 FUNDED DEBT OF THE BANK (NOTE 6)  
 DECEMBER 31, 1965 AND DECEMBER 31, 1966  
 Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-7

APPENDIX I-3

	1965	1966
<b>Payable in United States dollars:</b>		
4¼% Twenty-Year Bonds of 1962, due December 15, 1982, subject to sinking fund requirements to redeem \$5,000,000 of the bonds on or before December 15, in each of the years 1968 through 1981 .....	\$ 75,000,000	\$ 75,000,000
4½% Twenty-Year Bonds of 1964, due April 1, 1984, subject to sinking fund requirements to redeem \$2,700,000 of the bonds on or before April 1 in each of the years 1970 through 1983 .....	50,000,000	50,000,000
4½% Twenty-Year Bonds of 1964, due November 1, 1984, subject to sinking fund requirements to redeem \$5,400,000 of the bonds on or before November 1 in each of the years 1970 through 1983 .....	100,000,000	100,000,000
4¼% Loan of April 1, 1965 from Instituto Español de Moneda Extranjera, Spain, payable in eight annual installments of \$1,562,500 each, against promissory notes maturing consecutively on April 1 of each year from 1970 through 1977 .....	12,500,000	12,500,000
<b>Short-Term Bonds, First Issue April 15, 1966—</b>		
5% One-Year Bonds due April 15, 1967 .....		25,000,000
5¼% Two-Year Bonds due April 15, 1968 .....		29,000,000
5¼% Five-Year Bonds due April 15, 1971 .....		11,000,000
<b>Payable in non-dollar currencies:</b>		
5% Italian Lire Bonds of 1962, due April 1, 1982 (Lit. 15,000,000,000) (A) .....	24,193,548	24,000,000
5½% German Deutsche Mark Bonds of 1964, due July 1, 1979, payable in ten equal annual installments on July 1 of each of the years 1970 through 1979 (DM 60,000,000) .....	15,000,000	15,000,000
5½% English Sterling Stock of 1964, due October 1, 1984, redeemable by the operation of a fixed annual sinking fund of £200,000 commencing in the year ending October 1, 1970, the first payment to be made no later than September 1, 1970 (£3,000,000) .....	8,400,000	8,400,000
6% Italian Lire Bonds of 1966 due January 1, 1986, redeemable by the operation of an annual sinking fund commencing January 1, 1972 (Lit. 15,000,000,000) .....		24,000,000
5% Loan from the Export-Import Bank of Japan under agreement dated June 27, 1966 which provides that Inter-American Development Bank may borrow up to 3,600,000,000 Yen (equivalent to US \$10,000,000) repayable in 20 semi-annual installments commencing August 20, 1971 with final maturity February 20, 1981—borrowed as of December 31, 1966 (Yen 748,822,405) .....		2,000,000
5¼% Swiss Franc Bonds of 1968 due September 15, 1981, redeemable in ten annual installments of Sw. F. 5,000,000 on or before September 15 of each of the years 1972 through 1981 (Sw. F. 50,000,000) .....		11,433,790
<b>TOTAL .....</b>	<b>\$285,088,548</b>	<b>\$387,413,690</b>

Each issue is subject to redemption prior to maturity at the option of the Bank at the prices and upon the conditions stated in the respective bonds and notes except the first installment of the loan from Instituto Español de Moneda Extranjera, Spain and the Short-Term Bonds, which may not be paid prior to maturity. Sinking fund requirements and funded debt maturities for the years 1967 to 1971 aggregate \$25,000,000, \$34,000,000, \$6,000,000, \$16,722,300 and \$27,808,500, respectively.

(A) On April 1, 1966, the Bank adjusted the United States dollar equivalent of the proceeds of the 5% Italian Lire Bond issue of 1962 as well as the liability of the Bank for the bond issue to reflect the existing par value rate of 825 lire to \$1.00 from the market rate of exchange 820 lire to \$1.00 in effect in 1962. As a result of this adjustment the Italian Lire Bonds are now carried at a dollar equivalent of \$24,000,000 instead of \$24,193,548, the dollar equivalent at which they were carried at December 31, 1966. Such adjustment had no significant effect on income in the current year.

# 298 INTER-AMERICAN DEVELOPMENT BANK ACT AMENDMENTS

## ORDINARY CAPITAL RESOURCES INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL SUMMARY STATEMENT OF LOANS DECEMBER 31, 1966 Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-7

APPENDIX 14

Member in whose territory loans have been made (1)	Total loans approved by Bank since inception, less cancellations (2)	Principal repayments to Bank	Loans sold or agreed to be sold	Approved loans held by Bank			Currency in which disbursed portion of approved loans held by Bank is payable		
				Total	Undisbursed	Outstanding	United States dollars	Member's currency	Non-member currency
Argentina .....	\$118,406,638	\$ 3,760,523	\$ 1,775,547	\$112,870,568	\$ 43,693,815	\$ 69,176,753	\$ 41,593,332	\$13,243,481	\$14,339,940
Brazil .....	195,093,310	4,237,981	942,094	190,013,235	116,736,119	73,277,116	56,948,020	15,249,158	1,079,938
Chile .....	68,454,780	3,104,910	3,725,600	61,624,270	9,407,558	52,216,712	36,822,422	4,792,995	10,601,295
Colombia .....	69,471,601	1,935,248	2,793,554	64,742,799	31,870,873	32,871,926	19,937,499	5,309,367	7,625,040
Costa Rica .....	13,101,060	942,659	1,590,325	10,568,076	3,650,645	6,917,431	6,041,030	876,401	
Dominican Republic ..	6,000,000		200,000	5,800,000	4,402,879	1,397,121	1,397,121		
Ecuador .....	6,836,330	368,330	257,143	6,210,857	4,896,522	1,314,335	1,206,335	108,000	
El Salvador .....	6,958,163	367,911	250,500	6,339,752	3,104,980	3,234,772	2,643,752	591,020	
Guatemala .....	11,637,804	1,066,278	725,000	9,846,526	5,664,021	4,182,505	3,389,039	799,466	
Honduras .....	460,474	350,237	60,000	50,237	50,237	50,237			
Mexico .....	124,740,037	2,944,506	6,948,137	114,847,394	74,722,028	40,125,366	29,758,520	9,609,129	757,726
Nicaragua .....	15,130,000	450,000	1,719,000	12,961,000	9,710,650	3,250,350	3,250,350		
Panama .....	1,500,000			1,500,000					
Paraguay .....	2,749,996	462,236	269,911	2,017,849		2,017,849	1,863,849	154,000	
Peru .....	30,861,178	909,255	2,752,125	27,199,798	11,818,153	15,381,645	12,549,533	2,832,112	
Uruguay .....	22,043,000	622,274	951,395	20,469,331	12,265,168	8,204,163	6,449,059	1,755,104	
Venezuela .....	43,742,567	2,030,362	3,807,143	37,905,062	21,621,860	16,283,202	11,934,275	4,349,927	
Regional .....	10,000,000			10,000,000	8,500,400	1,499,600	750,000		749,000
<b>Total .....</b>	<b>\$747,186,938</b>	<b>\$23,552,710</b>	<b>\$28,667,474</b>	<b>\$694,966,754(3)</b>	<b>\$363,565,671(4)</b>	<b>\$331,401,083</b>	<b>\$236,584,373</b>	<b>\$59,665,171</b>	<b>\$36,153,539</b>

(1) The Bank makes loans to its members or political subdivisions of its members or to private enterprises located in the territory of its members. For loans to borrowers other than members, the Bank in many instances has received either the member's guarantee or other security deemed appropriate by the Bank.

(2) All of the loans have been approved by the Bank, but certain loans have not become effective and disbursements thereunder will not begin until the borrower and guarantor,

if any, take certain action and furnish certain documents to the Bank.

(3) Of the total approved loans held by the Bank, loans aggregating \$694,966,754 had become effective (i.e. eligible for disbursement) as of December 31, 1966 (see (2) above).

(4) The Bank has entered into irrevocable commitments to disburse \$38,404,384.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL  
STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER  
DECEMBER 31, 1965  
Expressed in United States Dollars—See Notes to Financial Statements—Appendix 1-7

APPENDIX 1-8

Member	Shares	Percent of total	Total subscribed capital	Amount received			Callable portion of subscribed capital	Number of votes	Percent of total
				United States dollars	Member currency	Non-exchangeable, non-interest-bearing demand obligations			
Argentina .....	22,448	12.68	\$ 224,480,000	\$ 25,785,000	\$14,308,954	\$11,476,046	\$ 172,910,000	22,583	12.57
Bolivia .....	1,802	1.02	18,020,000	2,070,000	170,000	1,900,000	13,880,000	1,937	1.08
Brazil .....	22,448	12.68	224,480,000	25,785,000	25,785,000		172,910,000	22,583	12.57
Chile .....	6,164	3.48	61,640,000	7,080,000	7,080,000		47,480,000	6,299	3.80
Colombia .....	6,159	3.48	61,590,000	7,078,000	7,075,000		47,440,000	6,294	3.80
Costa Rica .....	901	.51	9,010,000	1,035,000	1,035,000		6,940,000	1,036	.58
Dominican Republic .....	1,202	.68	12,020,000	1,380,000	1,380,000		9,260,000	1,337	.74
Ecuador .....	1,202	.68	12,020,000	1,380,000	1,380,000		9,260,000	1,337	.74
El Salvador .....	901	.51	9,010,000	1,035,000	1,035,000		6,940,000	1,036	.58
Guatemala .....	1,202	.68	12,020,000	1,380,000	1,380,000		9,260,000	1,337	.74
Haiti .....	901	.51	9,010,000	1,035,000	1,035,000		6,940,000	1,036	.58
Honduras .....	901	.51	9,010,000	1,035,000	1,035,000		6,940,000	1,036	.58
Mexico .....	14,430	8.15	144,300,000	16,575,000	16,575,000		111,150,000	14,586	8.10
Nicaragua .....	901	.51	9,010,000	1,035,000	1,035,000		6,940,000	1,036	.58
Panama .....	901	.51	9,010,000	1,035,000	287,000	808,000	6,940,000	1,036	.58
Paraguay .....	901	.51	9,010,000	1,035,000	1,035,000		6,940,000	1,036	.58
Pera .....	3,008	1.70	30,080,000	3,455,000	3,275,000	180,000	23,176,000	3,143	1.75
United States .....	76,176	43.04	761,760,000	112,500,000		37,500,000	611,760,000	76,311	42.47
Uruguay .....	2,407	1.36	24,070,000	2,765,000	1,813,274	951,726	18,540,000	2,542	1.41
Venezuela .....	12,027	6.80	120,270,000	13,815,000	5,978,837	7,836,163	92,640,000	12,102	6.77
Total .....	178,982	100.00	\$1,769,820,000	\$228,290,000	\$92,618,065	\$80,671,935	\$1,388,240,000	179,682	100.00

# 300 INTER-AMERICAN DEVELOPMENT BANK ACT AMENDMENTS

## ORDINARY CAPITAL RESOURCES INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL STATEMENT OF CURRENCIES AND DEMAND OBLIGATIONS HELD BY THE BANK DECEMBER 31, 1966 See Notes to Financial Statements—Appendix I-7

APPENDIX 14

Member	Unit of currency	Exchange rate (1)	Due from banks		Non-negotiable, non-interest-bearing demand obligations		Total	
			Amount in local currency	Expressed in United States dollars	Amount in local currency	Expressed in United States dollars	Amount in local currency	Expressed in United States dollars
Argentina .....	Peso	82.525	6,908,477	\$ 83,714	947,000,684	\$11,476,046	953,909,161	\$11,559,760
Argentina .....	Peso	168.70	339,593,617	2,012,987			339,593,617	2,012,987
Bolivia .....	Peso Boliviano	11.875	937,562	78,954	22,562,500	1,900,000	23,500,062	1,978,954
Brazil .....	Cruzeiro	18.50	183,165,772	9,900,852			183,165,772	9,900,852
Brazil .....	Cruzeiro	1,780.56	2,676,004,868	1,502,900			2,676,004,868	1,502,900
Chile .....	Escudo	4.37	11,068,060	2,532,737			11,068,060	2,532,737
Colombia .....	Peso	9.00	10,103,542	1,122,616			10,103,542	1,122,616
Colombia .....	Peso	11.27	13,899,331	1,232,872			13,899,331	1,232,872
Costa Rica .....	Colon	6.63	1,444,346	217,792			1,444,346	217,792
Dominican Republic .....	Peso	1.00	1,358,200	1,358,200			1,358,200	1,358,200
Ecuador .....	Sucre	18.00	22,102,049	1,227,892			22,102,049	1,227,892
El Salvador .....	Colon	2.50	1,106,740	442,696			1,106,740	442,696
Guatemala .....	Quetzal	1.00	537,010	537,010			537,010	537,010
Haiti .....	Gourde	5.00	5,027,672	1,005,534			5,027,672	1,005,534
Honduras .....	Lempira	2.00	1,907,416	953,708			1,907,416	953,708
Mexico (Note 12) .....	Peso	12.50	102,928,617	8,234,289			102,928,617	8,234,289
Nicaragua .....	Cordoba	7.00	7,111,626	1,015,947			7,111,626	1,015,947
Panama .....	Balboa	1.00	82,063	82,063	828,000	828,000	910,063	910,063
Paraguay .....	Guarani	122.08	87,000,568	713,119			87,000,568	713,119
Paraguay .....	Guarani	126.00	13,310,885	105,642			13,310,885	105,642
Peru .....	Sol	26.82	16,659,510	621,056	4,825,800	180,000	21,485,310	801,056
United States .....	Dollar	1.00	938,033	938,033	37,500,000	37,500,000	38,438,033	38,438,033
Uruguay .....	Peso	55.00	283,772	5,159	52,344,530	951,726	52,628,302	956,885
Uruguay .....	Peso	56.63	9,248,582	163,307			9,248,582	163,307
Venezuela .....	Bolivar	4.50	7,729,958	1,715,066	35,282,732	7,836,163	42,991,790	9,551,229
				37,864,145		60,671,935		98,536,080
Non-member								
England .....	Pound Sterling	.357	3,131	8,768			3,131	8,768
Germany .....	Deutsche Mark	4.00	2,893,083	723,273			2,893,083	723,273
Italy .....	Lira	625.0002	108,585,790	173,738			108,585,790	173,738
Switzerland .....	Swiss Francs	4.373	76,625	17,522			76,625	17,522
Japan .....	Japanese Yen	360.00	10,362,197	28,784			10,362,197	28,784
				952,083				952,083
Total expressed in United States dollars				\$38,756,230		\$80,671,935		\$119,428,165

(1) See Appendix I-7, Notes A, B and D.  
(2) See Appendix I-3, Note A.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 1966

APPENDIX 17

**1 A**

data in member currencies other than United States dollars have been translated into United States dollars at the rates at which the amounts received or loaned by the Bank, except for the undistributed balances and accrued charges on certain loans denominated in member currencies other than United States dollars which have been translated into United States dollars at the approximate market rates of exchange as at December 31, 1966. The non-member currency proceeds of the funded debt have been translated into United States dollars at par rates of exchange as shown under "Non-member" in Appendix 1-6. Amounts of loans approved and loans sold or agreed to be sold which denominated in other non-member currencies have been translated into United States dollars at the approximate market rates of exchange as at December 31, 1966. No representation is made that any of such currencies is convertible into any other of such currencies at any rates.

**1 B**

conformance with Article V, Section 3 of the Agreement Establishing the Bank (Agreement), each member is required, if the par value of its currency is reduced or if the foreign exchange value of its currency depreciates to a significant extent, to pay to the Bank (Ordinary Capital) an amount of its own currency sufficient to maintain the value of all the currency of the member held by the Bank, excepting currency held from borrowings by the Bank; likewise the Bank (Ordinary Capital) is required, if the par value of a member's currency is increased or if the foreign exchange value of such member's currency has appreciated to a significant extent, to pay to such member an amount of its currency to the increase in value of such member's currency which is held by the Bank, excepting currency derived from borrowings by the Bank. Standard of value for these purposes shall be the United States dollar of the weight and fineness in effect on January 1, 1959.

**1 C**

conformance with the provisions of Article V, Section 1 of the Agreement the use of these funds by the Bank or any recipient from the Bank shall be restricted by the member to making payments for goods and services produced in its territory.

**1 D**

original authorized Ordinary Capital of the Bank was \$850,000,000 in terms of United States dollars of the weight and fineness in effect on January 1, 1959. Of the total original authorized capital \$400,000,000 was "paid-in" capital and \$450,000,000 was "callable" capital.

January 1964 the Board of Governors approved an increase of \$1,000,000,000 in authorized callable capital at the subscription price of \$10.00 per share. All of the member countries have subscribed their quotas to a total of 95,666 additional shares of callable capital equal to \$956,000. These subscriptions to additional shares of callable capital raised the total of subscribed capital to \$1,769,820,000 of which \$381,000,000 is "paid-in" capital and \$1,388,820,000 is "callable" capital.

January 1964 the Board of Governors also approved a further increase of \$300,000,000 in authorized capital of which \$75,000,000 is "paid-in" and \$225,000,000 is "callable"; such capital to be available in the case of expansion of the Bank's membership. As of December 31, 1966, few members had been admitted to the Bank and the Bank had not received any subscriptions to the further increase in authorized capital of \$225,000,000.

subscribed "paid-in" capital has been paid 50% in gold and/or United States dollars and 50% in the currency of the respective member countries; that non-interest-bearing demand obligations have been accepted, as permitted under the provisions of Article V, Section 4 of the Agreement, in lieu of part of the payment required to be made in the member's currency. The "callable" portion of the authorized Ordinary Capital shall be called only when required to meet the obligations of the Bank created by borrowing or by guaranteeing loans with respect to the Ordinary Capital and is payable at the option of the member either in gold, United States dollars or the currency required to discharge the obligation of the Bank for the purpose for which the call is made.

**1 E**

as to actions of the Board of Governors the net income from the Ordinary Capital resources of the Bank has been allocated to a general reserve for possible future losses and, until further action by the Board of Governors, the net income of each year will be allocated automatically to such reserve.

## ORDINARY CAPITAL RESOURCES

## NOTE F

The amount of commissions received by the Bank on loans made out of or by commitment of the Ordinary Capital resources is required under Article III, Section 13 of the Agreement to be set aside as a special reserve to be kept available for meeting the Bank's obligations created by borrowing or by guaranteeing loans. On all loans granted to date the rate of commission is 1% per annum.

## NOTE G

Article III, Section 3(b) of the Agreement provides: "Expenses pertaining directly to ordinary operations shall be charged to the ordinary capital resources of the Bank. Expenses pertaining directly to special operations shall be charged to the resources of the Fund [for Special Operations]. Other expenses shall be charged as the Bank determines". For each of the years ended December 31, through 1966 expenses which have been deemed to be not identifiable as pertaining directly to either the Ordinary Capital or the Fund for Special Operations have been distributed pursuant to the decisions of the Board of Executive Directors. Expenses during 1965 and 1966 which have been deemed to be not identifiable as pertaining directly to either the Ordinary Capital or the Fund for Special Operations have been charged 77% to the income of the Ordinary Capital and 23% to the income of the Fund for Special Operations.

## NOTE H

Under the provisions of Article VI of the Agreement the Bank may, at the request of any member or members or of private firms that may obtain loans from it, provide technical advice and assistance.

At December 31, 1966 the amounts approved by the Bank for expenditures in the future for technical assistance projects were \$1,426,553. Pursuant to resolutions passed by the Board of Executive Directors all technical assistance expenditures after January 1, 1963 are to be charged first to the net income of the Fund for Special Operations, including such income accumulated in the general reserve of that Fund, and thereafter to the net income of the Ordinary Capital.

## NOTE I

One of the Bank's borrowers, a private enterprise in Brazil, defaulted on the interest and principal payments due June 15, 1966, on two loans. The Bank instituted foreclosure proceedings November 8, 1966, under the first mortgages held by the Bank on the plant, equipment and forest lands to secure its claim against the borrower. The total amount of the claim as of November 8, 1966 was the equivalent of US \$8,400,345, including the unpaid principal amount of US \$7,981,692 and accrued interest of US \$418,653 from December 16, 1965. The Brazilian court has authorized the seizure of the mortgaged property by the Bank's representative. The final outcome of these proceedings cannot be determined at this time.

Another of the Bank's borrowers, a private enterprise in Argentina, has not paid the interest and principal payments which were due June 15, 1966 and December 15, 1966 on two loans. As of December 31, 1966 the total amount of these loans was the equivalent of US \$2,664,021 including the unpaid principal amount of US \$2,316,359 and accrued interest and commitment fees of US \$147,662 from December 16, 1965. The loans are secured by first mortgages on the land, improvements and the equipment. The outcome of negotiations with the borrower presently in process cannot be determined at this time.

## NOTE J

In 1966 the Bank sold a participation in the amount of \$400,000 in one of its loans on which the payment of both interest and principal is unconditionally guaranteed by the Bank. The participation bears interest at 4% per annum and is repayable in 24 semiannual installments beginning November 16, 1966 with the final payment due May 16, 1978. The outstanding balance at December 31, 1966 was \$383,334.

**NOTE K**

In accordance with the loan contracts borrowers have agreed to special charges to cover costs of extraordinary supervision and inspection services performed in connection with projects financed under the loans. Beginning in 1966 the Bank established a special fund in each of the separate windows of the Bank (Ordinary Capital, Fund for Special Operations and Social Progress Trust Fund) to accumulate the amounts charged under the special provisions of the loans. Each loan is charged pursuant to the contract and the offsetting credit is accumulated in an account called "Fund for special supervision and inspection of loans" (Fund). Expenses associated with supervision and inspection of these loans which are over and above those normally and routinely performed by the Bank are charged each month to the Fund. There follows a summary of the transactions in the Fund (Ordinary Capital) in the year ended December 31, 1966:

Charges against loans	\$64,604
Expenses incurred in special supervision and inspection of loan projects	37,558
Unexpended balance December 31, 1966	<u>\$27,046</u>

**NOTE L**

The Bank has a Staff Retirement Plan for the benefit of its employees which became effective as of February 1, 1961 and was last amended as of July 1, 1965. Every staff member under 65 becomes a participant as a condition of service. Each participant contributes a percentage of his remuneration to the Plan and the Bank contributes the part of the cost and expenses of the Plan not provided by the contributions of participants. Contributions to the Plan during 1966 by the Bank-Ordinary Capital and the Bank-Fund for Special Operations were \$731,059 and \$218,368, respectively. There was no unfunded liability as of December 31, 1965, the latest date through which actuarial computations have been made for the Plan.

**NOTE M**

On January 17, 1967 the Bank entered into an agreement for an issue of bonds in the United States in the principal amount of \$50,000,000 with interest at 5.20% due January 15, 1992.



ORDINARY CAPITAL RESOURCES  
Statement of Loans as of Dec. 31, 1968

Country and Borrower (Borrower)	Project (Project Title)	Progress Achieved	Currency	Amount	Interest Repaid	Outstanding	Agreed (Agreed)	Interest (Interest)
<b>ARGENTINA</b>								
Banco de la Provincia de Entre Rios	Agricultural, mining and industrial credits (\$30,000,000)	17 agricultural credits for \$1,182,200 and 121 industrial credits for \$12,223,050 authorized	Pesos <sup>1</sup>	1,000,000	552,792	498,000	7/12/61	5% <sup>2</sup>
Banco Provincial de Santa Fe			U.S. dollars	1,000,000	10,755,835	1,301,345	9/10/61	(1000-73)
Banco de la Provincia de Córdoba			Total in U.S. dollars	15,000,000	11,301,627	1,301,344		
Mixed entity						9,102,083		
Aqua y Energía Eléctrica, Empresa del Estado de Argentina (Republic of Argentina)	Feasibility study of hydroelectric project in Northern Patagonia (\$250,000)	Study completed	Pesos <sup>1</sup>	252,000	252,000		8/5/61	5% <sup>2</sup>
Public entity			U.S. dollars	370,000	370,000		8/28/61	Repealed
			Total in U.S. dollars	620,000	620,000			
Titol Research Argentina, Sociedad Anónima Industrial y Comercial (Banco Provincial de Santa Fe)	Financing of auto components plant in Santa Fe (\$2,200,000)	Project completed	U.S. dollars	252,000	252,000	170,400	10/5/61	5% <sup>2</sup>
Private entity							(12/13/61)	(1004-73)
Vista S.A. (Private entity)	Construction of prefabricated housing plant, Buenos Aires (\$4,550,000)	Project completed	U.S. dollars	2,200,000	2,158,043	1,070,043	12/14/61	5% <sup>2</sup>
							(12/15/61)	(1005-73)
Sociedad Anónima "La Merced" (Barroiglo y Zorrugín, Ltda.) (Private entity)	Irrigation of private agricultural property in Province of Jujuy (\$1,600,000)	Irrigation works 94% complete; 8,648 acres under cultivation; 16,061 ac devoted to cattle raising	Pesos	7,221,500	7,221,500	1,852,039	12/21/61	5% <sup>2</sup>
			U.S. dollars	453,705	453,705	75,015	0/6/62	(1005-74)
			Total in U.S. dollars	487,855	487,855	85,773		
Aqua y Energía Eléctrica, Empresa del Estado de Argentina (Republic of Argentina)	Expansion of electric power generation, transmission and distribution facilities Santa Fe and Rosario (\$40,000,000)	Project completed	Pesos	22,400,000	22,400,000	212,150,000	12/21/61	5% <sup>2</sup>
Public entity			U.S. dollars	8,000,000	7,795,538	446,664	9/22/62	(1006-77)
			Total in U.S. dollars	1,071,795	9,431,254	546,733		
Corporación Entrerriana de Cítricos, Sociedad Anónima de Economía Mista, Industrial, Comercial y Financiera (Provincia de Entre Rios)	Construction of citrus processing plant in Concordia (\$5,413,000)	Project completed	Pesos <sup>1</sup>	337,000	337,000	81,200	2/21/62	5% <sup>2</sup>
Mixed entity			U.S. dollars	1,300,000	1,300,000	1,300,000	10/4/62	(1004-70)
			Total in U.S. dollars	1,637,000	1,637,000	285,701		
Amesol, Industria Argentina de Metales, S.A. (Banco Industrial de la República Argentina)	Construction of auto components plant at Palermo, Provincia de Buenos Aires (\$5,681,000)	Project 87% finished; plant in partial operation	Pesos <sup>1</sup>	170,000	170,000	140,750	3/8/62	5% <sup>2</sup>
Private entity			Italian lire	295,870,955	295,870,955	367,34,000	9/21/62	(1004-70)
			U.S. dollars	840,002	840,002	553,306		
			Total in U.S. dollars	1,480,206	1,480,206	894,016		
COMPROCO, Sociedad Anónima, Comercial, Industrial, Inmobiliaria y Financiera (Banco Industrial de la República Argentina)	Construction of oilseed plant at Perito del Tigre, Provincia de Buenos Aires (\$1,217,000)	Project completed	Pesos <sup>1</sup>	20,000	20,000	10,045	2/21/63	5% <sup>2</sup>
Private entity			U.S. dollars	201,300	201,300	120,300	8/13/63	(1005-70)
			Total in U.S. dollars	221,300	221,300	130,345		

Banco de la Nación Argentina Public entity	Credits for agricultural me- chanization (\$83,333,000)	48,367 credits for \$37,681,000 authorized	Press 1 Italian lire U.S. dollars Total in U.S. dollars	7,500,000 7,500,000 3,100,000,000 3,100,000,000 12,500,000 11,985,000 24,860,000 24,985,000	7,500,000 4/10/63 3,100,000,000 (6/27/63) 11,985,000 24,985,000	594.5% (1967-70)
CARBONOL, Industrias Químicas, S.A.I.C. Banco Industrial de la Republica Ar- gentina) Private entity	Construction of petrochemical plant near Buenos Aires (\$4,088,000)	Project ready to be initiated	U.S. dollars	2,500,000	6/20/63 7/12/63	594% (1967-70)
Frigorificos Argentinos, S.A.I.C. Banco Industrial de la Republica Ar- gentina) Private entity	Expansion of meat packing plant (\$4,503,000)	Project 85% complete	Press 1 U.S. dollars Total in U.S. dollars	180,000 180,000 1,328,000 1,481,962 1,517,000 1,570,962	12/17/63 12/17/63 12/17/63	594% (1967-70)
Banco Central de la Republica Argen- tina Public entity	Capital goods exports	Exports of capital goods whose invoice value is \$2,852,562	Original commitment Available from repayment Total in U.S. dollars	3,000,000 507,318 3,507,318	4/6/64 6/15/64 1,306,286	6% (1965-71)
Empresa Provincial de Energía de Córdoba (Provincia of Córdoba) Public entity	Expansion of electric power transmission facilities in Córdoba (\$10,029,000)	Project being reformulated	Press 1 U.S. dollars Total in U.S. dollars	2,000,000 2,500,000 4,500,000	7/30/64 (1971-82)	598% (1971-82)
ADAMIS, Sociedad Anónima, Industrial, Comercial e Inmobiliaria Banco Industrial de la Republica Ar- gentina) Private entity	Expansion of specialty paper company's plant in San Javier near Buenos Aires (\$3,054,000)	Project completed	German marks U.S. dollars Total in U.S. dollars	3,000,000 3,000,000 750,000 746,256 1,500,000 1,496,254	10/15/64 1/20/65 1,496,254	6%+ (1968-70)
Banco de la Nación Argentina Public entity	Continuation of project of credits for agricultural me- chanization (\$207,280,000)	Project being carried out jointly with \$24,960,000 loan to Banco de la Nación noted above	Press 1 German marks U.S. dollars Total in U.S. dollars	3,000,000 3,000,000 24,000,000 24,000,000 6,000,000 5,681,000 15,000,000 14,021,000	3,000,000 12/10/64 24,000,000 (12/11/64) 5,681,000 14,021,000	6%+ (1967-79)
Petrobras, S.A.I.C. Banco Industrial de la Republica Ar- gentina) Private entity	Construction of petrochemical complex at Campana, Buenos Aires Province (\$21,050,000)	Design completed and about 10% of project works carried out	Press 1 British pounds U.S. dollars Total in U.S. dollars	500,000 1,790,000 792,225 6,525,000 31,000 10,525,000 2,243,510	4/8/65 12/6/65 31,000 2,243,510	6%+ (1965-70)
Banco Industrial de la Republica Ar- gentina Public entity	Industrial credits (\$57,500,000)	29 credits for \$11,174,200 au- thorized	U.S. dollars	15,000,000 1,421,049	4/6/65 7/6/65	6% (1965-80)
Valeo, S.A. Private entity	Continued construction of pre- fabricated housing plant in Buenos Aires (\$3,300,000)	Plant completed	Press 1 U.S. dollars Total in U.S. dollars	200,000 200,000 600,000 328,316 800,000 558,316	8/12/65 12/20/65 558,316	6% (1967-70)
Municipalidad de la Ciudad de Buenos Aires Banco de Argentina) Public entity	Construction of water, sewage, power and street facilities for urban renewal project in Buenos Aires (\$45,030,000)		Press 1 U.S. dollars Total in U.S. dollars	4,000,000 3,000,000 7,000,000	11/3/66 (1970-80)	6% (1970-80)

ORDINARY CAPITAL RESOURCES  
Statement of Loans as of Dec. 31, 1968

Country and Borrower (Borrower)	Purpose (Project Title)	Program Achieved	Currency	Amount	Undrawn	Balance of Loans Repaid	Outstanding	Approved (Date)	Interest (Maturity)
<b>ARGENTINA (Cont'd)</b>									
<b>TOTAL LOANS TO ARGENTINA EXPRESSED IN U.S. DOLLARS</b>				118,406,638	74,582,823	4,494,334	78,008,489		
Less: Participations				1,775,547	1,855,547	733,811	881,736		
Net total loans to Argentina expressed in U.S. dollars				116,631,091	72,727,276	3,760,523	76,176,753		
<b>BRAZIL</b>									
Lacthar S.A. Celulose e Papel	Construction of pulp mill at Guaraparema, State of Paraná	Project completed	Cruzeiros 1	2,200,000	2,200,000	330,000	1,870,000	3/31/61	5 1/2%
Private entity	(\$11,000,000)		U.S. dollars	2,500,000	2,500,000	375,000	2,125,000	6/1/61	(1963-71)
			Total in U.S. dollars	4,700,000	4,700,000	705,000	3,995,000		
Lacthar S.A. Celulose e Papel	Expansion of pulp mill at Guaraparema, State of Paraná	Project completed	U.S. dollars	4,000,000	3,986,882		3,986,882	4/17/64	5 1/2%
Private entity	(\$7,500,000)							(5/1/64)	(1971-75)
Sifco do Brasil S.A.	Expansion of auto components plant in São Paulo (\$1,480,000)	Project completed	Cruzeiros 1	180,000	180,000	102,816	77,184	6/29/61	5 1/2%
Private entity			U.S. dollars	570,000	570,000	325,584	244,416	(11/21/61)	(1963-69)
			Total in U.S. dollars	750,000	750,000	428,400	321,600		
Indústria Brasileira de Equipamentos S.A.	Construction of oil drilling tool plant in Bahia	Project completed	Cruzeiros 1	87,000	87,000	23,200	63,800	10/19/61	5 1/2%
(Directors of the Borrower)	(\$1,250,000)		U.S. dollars	528,000	528,000	151,847	376,153	(1/24/62)	(1964-72)
Private entity			Total in U.S. dollars	615,000	615,000	175,047	439,953		
Papel e Celulose Catrimense Ltda. (Banco Nacional do Desenvolvimento Econômico)	Construction of integrated kraft pulp and paper mill in Lages, State of Santa Catarina	Project under construction	U.S. dollars	3,300,000	3,093,282	100,000	2,993,282	12/14/61	6%
Public entity	(\$21,000,000)							(1/22/62)	(1966-70)
Centrais Elétricas de Minas Gerais S.A.	Expansion of electric power transmission facilities in State of Minas Gerais (\$25,000,000)	Project completed	Cruzeiros 1	1,500,000	1,500,000	56,537	1,443,463	12/14/61	5 1/2%
(Banco Mineiro de Produção)			U.S. dollars	3,500,000	3,482,245	131,819	3,350,426	6/6/62	(1966-70)
Public entity			Total in U.S. dollars	5,000,000	4,982,245	188,356	4,793,889		
Fundação Tupy S.A.	Expansion of automobile parts plant in Juazeiro, State of São Catarina (\$1,000,000)	Project completed	U.S. dollars	560,000	560,000	210,000	350,000	2/15/62	5 1/2%
Private entity								(5/18/62)	(1964-70)
Companhia Agrícola, Industrial e Comércio	Farm mechanization project in State of São Paulo (\$20,000,000)	Purchase of 237 heavy duty tractors and 6 harvesters and their spare parts	Indian Re-	630,000,000	479,300,101	183,726,646	205,573,455	6/29/62	5 1/2%
(Banco do Estado de São Paulo)			U.S. dollars	3,300,000	3,083,258	1,037,107	2,046,151	(12/6/62)	(1966-70)
Public entity			Total in U.S. dollars	4,082,000	4,257,265	1,237,130	2,820,235		
Companhia Paranaense de Bens e Serviços	Construction of synthetic rubber plant near Recife	Project completed	U.S. dollars	3,815,000	3,815,000	516,459	3,298,541	7/5/62	5 1/2%
(Banco Nacional do Desenvolvimento Econômico)	(\$32,154,000)							(1/7/62)	(1966-72)
Public entity									

Companhia Hidro Elétrica de São Francisco (Federal States of Brazil) Public entity	Expansion of Paulo Mendes by-dielectric plant for 300,000 kilowatts and related facilities in Brazil's Northeast 642,000,000	Generators installed; 186 miles of transmission lines placed; another 373 being placed; substations under construction	Italian lire U.S. dollars Total in U.S. dollars	40,949,232 9,291,657 \$3,117,382	8/9/62 (12/17/62)	534.5% (1968-60)
Companhia Elétrica de Iranduba S.A. (Federal States of Brazil) Public entity	Construction of hydroelectric plant at Iria Falls on the Parana River (250,300,000)	Civil works built; 397 miles of transmission lines string; other works in progress	U.S. dollars	13,250,000 13,197,716	12/14/63 (11/29/63)	534.5% (1968-63)
Companhia de Eneirgidade do Estado de Bahia (State of Bahia) Public entity	Expansion of electric power transmission and distribution facilities in State of Bahia (87,397,000)	Crazavieira <sup>1</sup> U.S. dollars Total in U.S. dollars	640,000 2,500,000 3,350,000	113,636 513,663 638,299	12/31/63 (12/22/64)	534.5% (1968-62)
Banco do Brasil S.A. Public entity	Capital goods exports	Exports of capital goods whose invoice value is \$3,078,180	Original commitment Available from repayments Total in U.S. dollars	3,000,000 355,310 3,355,310	4/9/64 (7/9/64)	6% (1964-69)
Banco Nacional de Desenvolvimento Econômico Public entity	Industrial credits (954,000,000)	126 credits for \$153,000 authorized	Crazavieira <sup>1</sup> U.S. dollars Total in U.S. dollars	15,000,000 7,000,373 12,000,000	7/30/64 (12/23/64)	534.5% (1968-69)
Magnética S.A. (State of Bahia, and Banco de Minas Gerais S.A.) Private entity	Expansion of refractories industry at Brumado and Salvador, State of Bahia, and Belo Horizonte (\$15,000,000)	About 30% of expansion program carried out	U.S. dollars	4,004,000 462,552	7/30/64 (8/29/64)	534.5% (1968-74)
Ferns e Aze de Vilhena S.A. (State of Minas Gerais) (Ecuadorian) Private entity	Feasibility studies for a steel mill plant contemplated at Tachira, State of Esmeraldas (52,105,000)		U.S. dollars	1,300,000	11/19/64 (7/29/65)	6% (1968-72)
Companhia Vale do Rio Doce (Federal States of Brazil) Public entity	Expansion of facilities of Brumado's largest iron ore producing company in State of Minas Gerais (\$97,474,000)	Construction well underway; plant scheduled for completion in 1968	German marks U.S. dollars Total in U.S. dollars	28,000,000 9,296,610 28,800,000	11/19/64 (2/17/65)	6% <sup>1</sup> (1968-69)
Central Elétrica Coprer-Cachoeira S.A. (State of Paraná) Public entity	Construction of hydroelectric plant for the State of Paraná on the Cachoeira River (\$25,000,000)	Construction well underway	U.S. dollars	5,450,000 1,298,000	11/19/64 (5/2/65)	6% (1969-64)
Banco do Estado de Pernambuco S.A. (State of Pernambuco) Public entity	Expansion of meter system for Rio de Janeiro (\$8,517,000)	Project 80% complete	Crazavieira <sup>1</sup>	5,600,000 4,600,552	12/24/64 (12/31/64)	6% (1968-65)
Companhia Elétrica de Santa Catarina S.A. (State of Santa Catarina) Public entity	Expansion of electric power transmission system in State of Santa Catarina (\$15,000,000)	About 130 miles of power lines laid and 1 substation completed; 645 other works under construction	U.S. dollars	3,500,000 1,274,100	4/9/65 (5/2/65)	6% (1968-63)

**ORDINARY CAPITAL RESOURCES**  
**Statement of Loans as of Dec. 31, 1966**

Country and Borrower (Borrower)	Project (Project Code)	Program (Program)	Currency	Amount	Undrawn	Revolving	Approved (Amount)	Interest (Interest)
<b>BRAZIL (Cont'd)</b>								
Centrais Elétricas Brasileiras S.A. (United States of Brazil) Public entity	Expansion of electric power generating, transmission and distribution facilities in States of Alagoas, Bahia, Espírito Santo, Guanabara, Minas Gerais, Pernambuco, Rio Grande do Norte, Rio Grande do Sul and São Paulo (\$53,300,000)	Project initiated	U.S. dollars	16,400,000	70,825	70,825	9/9/65 (10/1/65)	6% (1069-80)
Companhia de Cimento Portland Brasileiro do Brasil S.A. (Banco Nacional de Desenvolvimento Econômico) Private entity	Expansion of cement plant north of Rio de Janeiro (\$9,215,000)	Construction initiated; equipment on order	Cruzeiros: British pounds U.S. dollars Total in U.S. dollars	500,000 475,000 2,820,000 4,560,000	180,000 — 500,000	— 180,000 500,000	12/20/65 6/4/65	6% + (1076-78)
Companhia Hidro Elétrica de São Francisco (United States of Brazil) Public entity	Further expansion of Paulo Afonso hydroelectric power generating facility in Northeast Brazil (\$54,830,000)		Cruzeiros: Italian lire U.S. dollars Total in U.S. dollars	1,700,000 4,582,500,000 11,400,000 20,400,000	— — — —	— — — —	8/25/65 (11/2/65)	6% + (1072-80)
Banco do Brasil S.A. Public entity	Export of three 12-to-13,000-ton merchant ships to Mexico	Ships under construction; delivery scheduled in 1968	U.S. dollars	10,780,000	—	—	12/8/65	6% (1067-72)
Banco de Nordeste do Brasil S.A. (United States of Brazil) Public entity	Continuation of industrial credit for Brazil's Northeast (\$25,000,000)		Swiss francs U.S. dollars Total in U.S. dollars	8,746,000 4,000,000 6,000,000	— — —	— — —	12/20/65	6% + (1071-80)
<b>TOTAL LOANS TO BRAZIL EXPRESSED IN U.S. DOLLARS</b>								
Loans: Participations				195,863,310	77,807,181	4,306,675		73,402,116
Net total loans to Brazil expressed in U.S. dollars				892,094	282,094	122,094		176,090
				194,251,218	77,815,097	4,237,581		73,277,115
<b>CHILE</b>								
Corporación de Fomento de la Producción Public entity	Industrial, mining and forestry credits (\$74,000,000)	86 credits for \$3 million and 5,292,810 credits authorized	Escudos: U.S. dollars Total in U.S. dollars	1,500,000 4,500,000 6,000,000	1,500,000 4,500,000 6,000,000	421,570 1,294,709 1,795,305	4/9/61 6/20/61	5% + (1069-73)
República de Chile Public entity	Expansion of water supply system for Concepción and Valdivia (\$1,000,000)	About 70% of the project construction; equipment ordered	U.S. dollars	1,000,000	900,107	25,091	11/22/61 6/20/62	5% + (1068-80)
Corporación de Fomento de la Producción Public entity	Establishment of integrated fishing enterprises at Iquique (\$8,000,000)	Project completed	U.S. dollars	8,000,000	8,000,000	500,000	12/7/61 6/20/62	5% + (1068-74)

Republic of Chile Public entity	Construction or expansion of irrigation system between the Cura and Maipo Rivers in Central Chile (\$11,714,000)	About 85% of irrigation works completed	Escudos U.S. dollars Total in U.S. dollars	1,500,000 1,500,000 2,311,460	42,100 40,821 80,919	1,507,812 1,700,290 2,861,210	2/9/62 5/16/62	54% (198-42)
Compañía Manufacturera de Papel y Cartones, S.A. Private entity	Expansion of pulp mill at Laja in Southern Chile (\$22,000,000)	Project completed	Escudos <sup>1</sup> Italian lire U.S. dollars Total in U.S. dollars	1,600,000 4,960,000 6,400,000 15,740,412	102,000 1,864,741 1,966,741 1,865,328	1,408,000 4,977,661 5,642,228 14,055,084	11/9/62 (11/22/62)	54% <sup>2</sup> (198-77)
Maquina Agrimensora Plumas, S.A. (Corporación de Fomento de la Eradicación) Private entity	Construction of chipboard plant at Chiguayante in South- ern Chile (\$3,067,000)	Project completed	Italian lire U.S. dollars Total in U.S. dollars	207,700,000 900,000 1,292,550	31,000,000 135,000 104,000	176,700,000 762,350 1,045,340	2/7/63 12/9/63	54% <sup>3</sup> (198-74)
Empresas de Agua Potable (República de Chile) Public entity	Expansion of water system for Santiago (\$34,000,000)	About 25% of the project com- pleted	Escudos <sup>1</sup> U.S. dollars Total in U.S. dollars	1,500,000 3,925,000 5,125,000	1,502,118 1,502,118	1,502,118 1,502,118	4/4/63 5/24/63	54% <sup>4</sup> (197-43)
Empresa Nacional del Petróleo (Corporación de Fomento de la Producción) Public entity	Construction of an oil refinery near Concepción (\$4,000,000)	Project completed	U.S. dollars Swiss francs Belgian francs Total in U.S. dollars	10,714,250 1,000,000 2,500,000 11,000,000	9,853,000 1,000,000 2,500,000 10,353,000	750,000 1,000,000 2,500,000 1,031,700	10/24/63 11/14/63	54% <sup>5</sup> (198-73)
Corporación de Fomento de la Producción Public entity	Continuation of credit pro- gram for industrial, mining and fishery development (\$59,700,000)	81 credits totaling \$4.8 million and 3,615,200 escudos author- ized	U.S. dollars	6,000,000	5,000,000	5,000,000	3/12/64 9/17/64	54% <sup>6</sup> (197-74)
Banco Central de Chile Public entity	Capital goods exports		U.S. dollars	2,000,000			4/2/64 6/15/64	6% (197-72)
Republic of Chile Public entity	Construction or expansion of irrigation system in Province of Linares, Central Chile (\$14,050,000)	About 65% of project completed	Escudos <sup>1</sup> U.S. dollars Total in U.S. dollars	1,700,000 1,800,000 3,500,000	1,700,000 940,212 2,540,212	1,700,000 940,212 2,540,212	5/6/64 6/12/64	6% (198-64)
Compañía Manufacturera de Papel y Cartones, S.A. Private entity	Continuation of expansion of pulp mill at Laja (\$5,300,000)	Project completed	German marks Total in U.S. dollars	5,000,000 1,400,000	5,331,000 1,382,759	501,300 117,200	10/2/64 10/9/64	6% <sup>1</sup> (198-77)
Corporación de Fomento de la Producción Public entity	Continuation of credit program for small wood and sawmill industry (\$25,000,000)	64 credits for \$6,700,021 and 17,318,100 escudos authorized	Escudos <sup>1</sup> Yen U.S. dollars Total in U.S. dollars	303,000 78,395,200 5,570,955 8,000,000	303,000 748,506,500 3,853,661 5,715,008	748,506,500 3,853,661 5,715,008	9/23/65 (12/2/65)	6% (198-77)
TOTAL LOANS TO CHILE EXPRESSED IN U.S. DOLLARS								
Less: Participations								53,045,046
Net total loans to Chile expressed in U.S. dollars								3,775,000
								2,867,666
								829,334
								3,194,318
								92,718,712

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Statement of Loans as of Dec. 31, 1966

Country and Borrower (Borrower)	Project (Project Title)	Project (Project Title)	Currency	Amount	Interest (Interest)	Repayment (Repayment)	Interest (Interest)
COLOMBIA	Corporación Financiera Colombiana de Desarrollo Industrial Private entity	Industrial credits \$1,050,000	Pesos	4,000,000	1,500,000	2,500,000	5% (1964-71)
			U.S. dollars	203,253	102,133	101,120	5% (1964-71)
			Total in U.S. dollars	656,253	272,793	265,580	
Ecuador	Empresas Públicas de Medellín (Republic of Colombia) Public entity	Expansion of water system for Medellín (\$10,500,000)	Pesos	10,950,000	1,070,312	10,079,688	5% (1964-81)
			U.S. dollars	3,300,000	300,375	2,999,625	5% (1964-81)
			Total in U.S. dollars	5,230,724	491,138	4,739,583	
Ecuador	Empresas Públicas Municipales de Cuenca (Republic of Colombia) Public entity	Expansion of water and sewage system of Cuenca (\$10,800,000)	Pesos <sup>1</sup>	3,000,000	184,004	2,815,996	5% (1964-81)
			U.S. dollars	2,200,000	137,500	1,797,500	5% (1964-81)
			Total in U.S. dollars	5,200,000	321,504	4,911,336	
Ecuador	República de Colombia Public entity	Five studies underway	Pesos <sup>1</sup>	310,000	52,305	13,693	5% (1964-81)
			U.S. dollars	190,000	13,693	30,832	5% (1964-81)
			Total in U.S. dollars	500,000	66,000	136,525	
Colombia	Papel de Colombia, S.A. (Instituto de Fomento Industrial) Private entity	Construction of pulp plant at Puerto Isacsa near Cali (\$3,400,000)	U.S. dollars	702,795	702,795		5% (1964-81)
			Total in U.S. dollars	702,795	702,795		
Colombia	Instituto Nacional de Fomento Municipal (Republic of Colombia) Public entity	Water and sewage systems in various communities (\$10,312,000)	U.S. dollars	400,000	400,000		5% (1964-81)
			Total in U.S. dollars	400,000	400,000		
Colombia	República de Colombia Public entity	Construction of medium carbon-40 plant in Cartagena (\$25,413,000)	U.S. dollars	3,534,000,000	3,534,000,000		5% (1964-81)
			Total in U.S. dollars	3,534,000,000	3,534,000,000		
Colombia	Banco de la República Public entity	22 credits for \$7,000,000 authorized	Pesos <sup>1</sup>	400,000	105,292	95,772	5% (1964-81)
			U.S. dollars	1,000,000	105,292	95,772	5% (1964-81)
			Total in U.S. dollars	1,400,000	210,584	191,544	
Colombia	Empresas Públicas de Colombia (Republic of Colombia) Public entity	Improvements of port facilities at Buenaventura (\$19,665,000)	U.S. dollars	10,000,000	5,410,519	5,410,519	5% (1964-81)
			Total in U.S. dollars	10,000,000	5,410,519	5,410,519	
Colombia	Industrial Agraria La Palma, S.A. (Corporación Financiera Colombiana de Desarrollo Industrial) Private entity	Cultivation of 12,355 acres of African palm in the Department of Magdalena (\$7,220,000)	Pesos <sup>1</sup>	334,000	334,000		5% (1964-81)
			U.S. dollars	800,000	800,000		5% (1964-81)
			Total in U.S. dollars	1,134,000	1,134,000		

Instituto de Aprovechamiento de Aguas y Fomento Eléctrico (Republic of Colombia) Public entity	Construction of hydroelectric power plant on the Pardo River, along with related surveys, in the Department of Tolima (\$20,830,000)	Construction initiated	U.S. dollars	257,514	257,514	11/19/64 (1/10/65)	6% (1960-65)
Instituto de Aprovechamiento de Aguas y Fomento Eléctrico (Republic of Colombia) Public entity	Expansion of power plant in Department of Norte de Santander (\$4,970,000)	In bidding stage	Phase 1 U.S. dollars Total in U.S. dollars	300,000 2,200,000 2,500,000	80,510 80,510	12/21/64 (1/10/65)	6% (1960-65)
Empresa Puertos de Colombia (Republic of Colombia) Public entity	Improvements in port facilities at Cartagena, Barranquilla and Santa Marta (\$11,350,000)	About 58% of project completed	U.S. dollars	5,000,000 413,800	413,800	1/28/65 (6/21/65)	6% (1960-60)
ENSA de Colombia, S.A. (Banco Comercial Aliquipo and Banco Industrial Colombiano) Public entity	Construction of synthetic fiber plant in Girardot, Department of Antioquia (\$15,000,000)	Project nearly complete; partly in operation	British pounds U.S. dollars Total in U.S. dollars	600,000 2,300,000 2,900,000	700,000 2,312,227 3,012,227	8/24/65 (11/14/65)	6% (1960-75)
Central Hidroeléctrica de Caldas, S.A. (Republic of Colombia) Public entity	Construction of hydroelectric power plant near Manizales, Department of Caldas (\$15,890,000)	Civil works under construction; equipment being manufactured	U.S. dollars	8,100,000 138,519	138,519	11/18/65 (2/18/66)	6% (1970-82)
TOTAL LOANS TO COLOMBIA EXPRESSED IN U.S. DOLLARS							
Less: Participations				69,471,601	36,550,778	2,300,802	34,741,595
Net total loans to Colombia expressed in U.S. dollars				2,793,554	1,743,554	370,554	1,370,000
				68,278,637	34,867,174	1,065,356	32,371,528
COSTA RICA							
Banco Nacional de Costa Rica (Republic of Costa Rica) Public entity	Livestock credits (\$4,600,000)	172 credits for \$2,374,857 authorized	Colones <sup>1</sup> U.S. dollars Total in U.S. dollars	600,000 2,000,000 2,600,000	600,000 1,761,810 2,361,810	11/20/61 (1/15/62)	5% (1964-74)
Industria Nacional de Cemento, S.A. (Republic of Costa Rica) Private entity	Construction of cement plant at Cartago near San José (\$4,950,000)	Project completed	U.S. dollars	2,800,000 2,800,000	560,000 2,240,000	1/11/62 (1/7/62)	5% (1964-74)
Banco de Costa Rica (Republic of Costa Rica) Public entity	Industrial credits (\$5,000,000)	73 credits for \$7,101,670 authorized	Colones U.S. dollars Total in U.S. dollars	2,650,000 2,600,000 3,007,000	2,650,000 2,174,861 2,765,321	9/4/62 (11/15/62)	5% (1965-74)
Instituto Costarricense de Electricidad (Republic of Costa Rica) Public authority	Expansion of electric power distribution system in Central Costa Rica (\$3,000,000)	Some 303 kilometers of transmission lines built or improved	U.S. dollars	2,700,000 1,341,394	84,375 1,256,000	9/4/62 (9/14/62)	5% (1960-62)
Banco de Costa Rica (Republic of Costa Rica) Public entity	Industrial credits (\$3,000,000)		Colones <sup>1</sup> U.S. dollars Total in U.S. dollars	140,000 1,500,000 2,000,000	140,000 1,500,000	12/21/65 (6/4/66)	6% (1960-60)
TOTAL LOANS TO COSTA RICA EXPRESSED IN U.S. DOLLARS				13,101,060	9,272,215	1,327,034	7,900,181
Less: Participations				1,598,295	1,361,125	384,375	962,250
Net total loans to Costa Rica expressed in U.S. dollars				11,502,765	7,911,090	942,659	6,937,931



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Statement of Loans as of Dec. 31, 1966

Country and Borrower (Borrower)	Project (Project Code)	Progress Achieved	Currency	Amount	Interest Repaid	Outstanding	Approved (Approved)	Interest (Interest)
<b>DOMINICAN REPUBLIC</b>								
Banco Agrícola (Dominican Republic)	Livestock credits (\$11,000,000)	85% credits for \$2,417,377 approved	Pesos <sup>1</sup> U.S. dollars	1,100,000 4,900,000	1,997,121	1,997,121	8/15/63 (9/29/63)	5% (1967-75)
Public entity			Total in U.S. dollars	6,000,000	1,997,121	1,997,121		
<b>TOTAL LOANS TO DOMINICAN REPUBLIC IN U.S. DOLLARS</b>				6,000,000	1,997,121	1,997,121		
Less: Participations				200,000	200,000	200,000		
Net total loans to Dominican Republic in U.S. dollars				5,800,000	1,797,121	1,797,121		
<b>ECUADOR</b>								
Banco Nacional de Fomento (Republic of Ecuador)	Sheep development (\$5,000,000)	8,812 purchased sheep imported; two sheep development centers established	Sucres <sup>1</sup> U.S. dollars	218,195 618,135	218,195	110,185	8/10/61 (10/31/61)	5% (1963-75)
Public entity			Total in U.S. dollars	836,330	836,330	408,330		
Republic of Ecuador	Construction of four highways 408 miles long (\$23,000,000)	Project under construction	Sucres <sup>1</sup> U.S. dollars	980,000 5,400,000	1,103,478	1,103,478	5/25/64 (5/26/64)	5% (1968-94)
Public entity			Total in U.S. dollars	6,380,330	1,836,808	1,571,478		
<b>TOTAL LOANS TO ECUADOR EXPRESSED IN U.S. DOLLARS</b>				6,380,330	1,836,808	1,571,478		
Less: Participations				257,143	257,143	257,143		
Net total loans to Ecuador expressed in U.S. dollars				6,123,187	1,579,665	1,314,335		
<b>EL SALVADOR</b>								
Fsa Ltd., S.A. Private entity	Expansion of bakery in San Salvador (\$255,000)	Project completed	U.S. dollars	198,375	198,375	56,200	6/29/61 (7/12/61)	5% (1963-71)
Banco Central de Reserva (Republic of El Salvador)	Industrial and agricultural credits (\$4,180,000)	36 industrial credits for \$2,813,013 and 52 agricultural credits for \$497,770 authorized	Colones U.S. dollars	2,400,000 1,780,000	1,737,550	260,000	8/10/61 (10/25/61)	5% (1968-74)
Private entity			Total in U.S. dollars	2,580,000	2,517,550	2,060,000		
Banco Central de Reserva (Republic of El Salvador)	Water and sewage systems for San Salvador, Santa Tecla, Santa Ana, San Miguel and San Marcos (\$2,100,000)	Project completed	U.S. dollars	1,258,708	1,258,708	49,711	8/10/61 (11/17/61)	5% (1968-81)
Public entity				1,258,708	1,258,708	49,711		
Instituto Salvadoreño de Fomento Industrial (Republic of El Salvador)	Industrial credits (\$8,000,000)		Colones <sup>1</sup> U.S. dollars	280,000 2,800,000			4/15/65	6% (1970-83)
Public entity			Total in U.S. dollars	3,080,000				
<b>TOTAL LOANS TO EL SALVADOR EXPRESSED IN U.S. DOLLARS</b>				6,063,183	3,866,183	458,111		
Less: Participations				250,500	250,500	250,500		
Net total loans to El Salvador expressed in U.S. dollars				5,812,683	3,615,683	207,611		

GUATEMALA		Project completed	U.S. dollars	125,000	125,000	6/22/61 (8/10/61)	5% (Repaid)	
Industria y Comercio Textilero, S.A. Private entity		Construction of textile mill for bags in Guatemala City (\$215,000)						
Banco de Guatemala Public entity	Industrial, agricultural and livestock credits (\$5,300,000)	17 industrial credits for \$2,281,242 and 46 agricultural credits for \$1,154,332 authorized	Guatemala: 1 U.S. dollars Total in U.S. dollars	1,451,000	1,450,842	357,316	7/10/61 (8/10/61)	
				3,550,000	3,511,100	947,500	1,656,600 (9/16/61)	
				5,000,000	3,975,022	1,214,376	2,460,146 (1964-65)	
Hidroeléctricas del Atlántico, S.A. Private entity		Expansion of water system for Puerto Barrios (\$265,000)	U.S. dollars	152,804	152,804	81,402	9/29/61 (12/27/62)	
Instituto Nacional de Electrificación (República de Guatemala) Public entity		Construction of hydroelectric power plant for Guatemala City (\$5,125,000)	U.S. dollars	3,150,000	2,013,957	2,010,957	12/19/63 (6/18/64)	
Banco de Guatemala Public entity		Industrial, agricultural and livestock credits (\$5,353,000)	U.S. dollars	3,200,000			8/9/66 (12/1/66)	
TOTAL LOANS TO GUATEMALA EXPRESSED IN U.S. DOLLARS				11,937,804	5,973,783	1,421,278	4,552,505	
Less: Participations				725,000	725,000	370,000		
Net total loans to Guatemala expressed in U.S. dollars				10,912,804	5,248,783	1,051,278	4,182,505	
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NICARAGUA								
Molinos de Honduras (Jacobo D. Nolasco Industrial, S.A.) Private entity		Construction of corn flour mill at San Pedro Sula (\$522,000)	U.S. dollars	100,474	100,474	50,237	6/15/61 (7/27/61)	
Químicos Diamant de Centroamérica, S.A. de C.V. Private entity		Construction of chemical plant producing detergents and other products in Tegucigalpa (\$735,000)	U.S. dollars	360,000	360,000	360,000	7/27/61 (8/8/61)	
TOTAL LOANS TO NICARAGUA EXPRESSED IN U.S. DOLLARS				460,474	460,474	410,237	50,237	
Less: Participations				60,000	60,000	60,000		
Net total loans to Honduras expressed in U.S. dollars				400,474	400,474	350,237	50,237	
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COSTA RICA								
Nacional Financiera, S.A. Public entity		Industrial credits \$12,000,000	Pesos: 1 U.S. dollars	1,000,000	1,000,000	166,666	8/10/61 (10/15/61)	
		12,500,000 Mexican pesos authorized		2,000,000	2,000,000	333,333	1,666,670 (1966-71)	
			Total in U.S. dollars	3,000,000	3,000,000	499,999	2,500,001	
Nacional Financiera, S.A. (United Mexican States) Public entity		Completion of irrigation projects in the States of Oaxaca, Durango, Chihuahua and Baja California (\$46,000,000)	Pesos: 1 U.S. dollars	52,750,000	52,750,000	6,206,800	46,548,120 (11/14/61)	
			Total in U.S. dollars	8,750,000	8,750,000	1,032,940	7,717,060	
				13,000,000	13,000,000	1,569,411	11,430,589	
Nacional Financiera, S.A. (United Mexican States) Public entity		Construction of irrigation projects in the States of Jalisco, Colima and Guerrero (\$11,800,000)	Pesos: 1 U.S. dollars	34,300,000	34,300,000	3,006,487	31,273,513 (1/25/62)	
			Total in U.S. dollars	3,600,000	3,000,000	294,715	2,705,285 (6/16/62)	
				5,740,000	5,740,000	590,334	5,227,166	

ORDINARY CAPITAL RESOURCES  
Statement of Loans as of Dec. 31, 1968

Country and Borrower (Borrower)	Project (Project Code)	Program (Program)	Currency	Amount	Balance of Loans (Total)	Outstanding	Interest (Interest)	Interest (Interest)
<b>MEXICO (Cont'd)</b>								
Nacional Financiera, S.A. (United Mexican States)	Construction of an irrigation project in the Tlaxcala State of Mexico (\$3,000,000)	Project completed	Pesos	5,000,000	4,218,031	397,446	3,011,407	11/27/62
			U.S. dollars	720,000	506,272	56,053	468,279	54% (1965-63)
			Total in U.S. dollars	1,200,000	843,786	61,499	782,297	
Quinta del Rey, S.A. (República Mexicana)	Construction of sodium sulfate plant at Laguna del Rey, State of Coahuila (\$2,750,000)	Project completed	Pesos	4,125,000	4,125,000			54% (1964)
			U.S. dollars	170,000	170,000			
			Total in U.S. dollars	500,000	500,000			
Nagrasa, S.A. (Private entity)	Installation of carbon black plant in Salinas, State of Guanajuato (\$3,200,000)	Project completed	Pesos	4,850,297	4,850,297			54% (1964)
			U.S. dollars	131,560	131,560			
			Total in U.S. dollars	5,000,000	5,000,000			
Nacional Financiera, S.A. (United Mexican States)	Land settlement program at El Limón in State of Tlaxcala (\$52,170,000)	Project under construction	Pesos <sup>1</sup>	5,250,000	220,462		220,462	54% (1967-66)
			U.S. dollars	20,250,000	1,677,597		1,677,597	
			Total in U.S. dollars	25,500,000	1,898,059		1,898,059	
Nacional Financiera, S.A. (United Mexican States)	Industrial credits (\$15,000,000)	522 credits for \$12,000,000 authorized	U.S. dollars	5,000,000	5,000,000			54% (1967-72)
Industria del Hierro, S.A., de C.V. (Sociedad Mexicana de Crédito Industrial, S.A.) (Private entity)	Expansion of heavy equipment plant at Querétaro, State of Querétaro (\$13,200,000)	Project completed	Pesos <sup>1</sup>	1,600,365	1,600,365		1,498,257	54% (1966-74)
			U.S. dollars	1,296,043	1,296,043		1,143,567	
			Total in U.S. dollars	2,896,408	2,896,408		2,641,824	
Nacional Financiera, S.A. (United Mexican States)	Construction of irrigation works in State of Sinaloa (\$112,000,000)	Project underway	U.S. dollars	20,000,000	5,794,082		5,794,082	54% (1967-66)
Nacional Financiera, S.A. (Public entity)	Capital goods exports	Export of capital goods whose invoice value is \$7,514,917	Original commitment Available from repayments	3,000,000				6% (1966-66)
			Total in U.S. dollars	3,213,355	2,777,708		2,558,082	
Nacional Financiera, S.A. (Public entity)	Capital goods exports	Used in conjunction with above item	U.S. dollars	2,000,000	2,000,000			6% (1966-66)
Nacional Financiera, S.A. (Public entity)	Construction of 64 feeder roads 1,224 miles long and improvement of 100 more 3,000 miles long (\$25,000,000)	Project underway	Pesos <sup>1</sup>	1,000,000	70,100		70,100	6% (1970-66)
			U.S. dollars	6,250,000,000	271,978,023		271,978,023	
			Total in U.S. dollars	7,250,000,000	782,078,123		782,078,123	
			Total in U.S. dollars	71,000,000	1,000,000		1,000,000	

Public entity	Total in U.S. dollars	1,963,000	1,963,000	12/15/66	5 1/2 %
Nacional Financiera, S.A. (United Mexican States)	Construction of Salina Irriga- tion project in El Carrizal Val- ley, State of Sinaloa and So- nora (\$25,115,000)	13,060,000			(197-40)
Less: Participations					
Net total loans to Mexico expressed in U.S. dollars		13,060,000			
TOTAL LOANS TO MEXICO EXPRESSED IN U.S. DOLLARS					
		13,060,000	41,992,000	4,193,649	43,210,356
		6,948,137	4,432,137	1,247,137	3,185,000
		117,791,300	43,063,872	2,344,386	46,153,356
NET TOTAL LOANS TO MEXICO EXPRESSED IN U.S. DOLLARS					
		117,791,300	43,063,872	2,344,386	46,153,356
NICARAGUA					
Instituto de Fomento Nacional (Republic of Nicaragua)	Industrial credits (\$4,000,000)	2,000,000	2,000,000	700,000	1,300,000
Public entity	43 credits totaling \$2,651,107 authorized				5 1/2 % (1963-70)
Instituto de Fomento Nacional (Republic of Nicaragua)	Agricultural and livestock de- velopment credits (\$2,111,000)	928,000			7/30/64
Public entity	35 credits for \$825,597 exten- ded	1,462,000	1,231,200		5 1/2 % (1960-68)
		2,393,000	1,231,200		
TOTAL LOANS TO NICARAGUA EXPRESSED IN U.S. DOLLARS					
		2,393,000	1,231,200		
Banco Nacional de Nicaragua (Republic of Nicaragua)	Livestock credits (\$5,822,000)	100,000			12/31/64
Public entity	3,280 credits for \$2,383,000 au- thorized and technical assist- ance for \$355,000 extended	4,500,000	1,313,781		6 % (1960-68)
		4,600,000	1,313,781		
Instituto de Fomento Nacional (Republic of Nicaragua)	Industrial credits (\$7,307,000)	3,300,000	653,369		6 1/2 % (1960-61)
Public entity	12 credits for \$625,644 authorized				
Banco Nacional de Nicaragua (Republic of Nicaragua)	Capital goods exports	1,000,000			3/15/66
Public entity					6 % (1967-70)
Banco Nacional de Nicaragua (Republic of Nicaragua)	Agricultural credits (\$4,115,000)	1,900,000			11/10/66
Public entity					6 % (1967-69)
TOTAL LOANS TO NICARAGUA EXPRESSED IN U.S. DOLLARS					
		1,900,000			
Less: Participations					
Net total loans to Nicaragua expressed in U.S. dollars		15,120,000	5,200,350	700,000	4,500,350
		1,715,000	1,500,000	250,000	1,250,000
		13,410,000	3,700,350	450,000	3,250,350
TOTAL LOANS TO NICARAGUA EXPRESSED IN U.S. DOLLARS					
		13,410,000	3,700,350	450,000	3,250,350
PANAMA					
Banco Nacional de Paises (Republic of Panama)	Livestock credits (\$3,605,000)	500,000			9/22/66
Public entity		1,000,000			6 % (1970-68)
		1,500,000			
TOTAL LOANS TO PANAMA EXPRESSED IN U.S. DOLLARS					
		1,500,000			
PARAGUAY					
Compañia Agropecuaria Paraguaya, S.A. (Paraguay)	Expansion of vegetables processing plant in Asuncion (\$1,251,000)	220,000	220,000	66,000	154,000
Public entity		320,000	320,000	98,000	220,000
		540,000	540,000	164,000	374,000
TOTAL LOANS TO PARAGUAY EXPRESSED IN U.S. DOLLARS					
		540,000	540,000	164,000	374,000
TOTAL LOANS TO NICARAGUA EXPRESSED IN U.S. DOLLARS					
		13,410,000	3,700,350	450,000	3,250,350
TOTAL LOANS TO PANAMA EXPRESSED IN U.S. DOLLARS					
		1,500,000			
TOTAL LOANS TO PARAGUAY EXPRESSED IN U.S. DOLLARS					
		540,000	540,000	164,000	374,000

ORDINARY CAPITAL RESOURCES  
Statement of Loans as of Dec. 31, 1966

Country and Borrower (Government)	Purpose (Project Code)	Progress Achieved	Currency	Amount	Balance	Balance of Loans Outstanding	Approved (Signed)	Interest (Guarantee)
<b>PARAGUAY</b>								
Manufacturers de Pinar, S.A. (Banco Nacional de Fomento) Private entity	Expansion of textile and vegetable oil processing plant in Pinar, Southwest Paraguay (PA-134,000)	Project completed	U.S. dollars	2,200,000	2,200,000	517,847	1,682,353	594.5 (1965-79)
<b>TOTAL LOANS TO PARAGUAY EXPRESSED IN U.S. DOLLARS</b>								
Line: Participations				2,200,000	2,200,000	602,847	2,607,249	
Net total loans to Paraguay expressed in U.S. dollars				2,200,000	2,200,000	228,811	40,299	
				2,200,000	2,400,000	402,236	2,817,506	
<b>PERU</b>								
Corporación de Suministro de Alimentos República de Perú Public entity	Expansion of water supply and sewage system for Arequipa (PE-400,000)	Project completed	Soles U.S. dollars Total in U.S. dollars	60,000,000 1,490,000 3,310,336	60,000,000 1,490,000 3,310,336	217,500	1,292,500	594.5 (1965-79)
Compañía Peruana de Cemento Portland, S.A. Banco Popular del Perú Private entity	Expansion of cement plant in Lima (PE-350,000)	Project completed	Soles U.S. dollars Total in U.S. dollars	6,750,000 1,250,000 1,561,719	6,750,000 1,250,000 1,561,719	2,532,422	4,217,578	594.5 (1965-71)
Banco Industrial del Perú República de Perú Public entity	Industrial credits (\$11,000,000)	35 credits for \$5,071,229 authorized	U.S. dollars	2,500,000	2,500,000	500,000	2,000,000	594.5 (1965-79)
FESEMERIST Compañía Peruana Selos de Fomento e Inversiones, S.A. Private entity	Industrial credits (\$3,000,000)	20 credits for an investment of \$4,000,000 authorized	U.S. dollars	750,000	540,204	50,000	600,204	594.5 (1965-79)
Banco Industrial del Perú República de Perú Public entity	Industrial credits (\$15,000,000)	72 credits for a total investment of \$5,000,000	U.S. dollars	5,000,000	5,000,000	500,000	4,500,000	594.5 (1965-79)
Compañía Irigacion Publica, S.A. República de Perú Private entity	Construction of irrigation facilities 100 miles north of Uman, (PE-407,000)	Project underway	Soles U.S. dollars Total in U.S. dollars	305,000 1,075,000 1,380,000	226,346 670,000 896,346	11,000	214,400	594.5 (1965-79)
Irigacion Choblete, S.A. República de Perú Private entity	Construction of irrigation facilities at Pampa de Choblete in Northern Peru (\$11,000,000)		Soles U.S. dollars Total in U.S. dollars	450,000 1,350,000 1,700,000				594.5 (1965-79)
Banco Industrial del Perú República de Perú Public entity	Industrial credits (\$25,000,000)	60 credits for an investment of \$5,000,000	U.S. dollars	7,000,000	2,004,000		2,004,000	6% (1965-71)

	Capital goods exports	Export of capital goods with an insured value of \$471,826	Original commitment Available from repayment Total in U.S. dollars	6% (1980-79)
Banco Industrial del Perú (Republic of Peru) Public entity			1,590,000 31,100 <u>1,621,100</u>	6/25/85 6/25/85 220,700
Republic of Peru Public entity	Construction of 7½-mile section of Pan American Highway south of Lima (\$5,700,000)	Project initiated	U.S. dollars	6% (1980-81)
			4,000,000	11/18/85 (1/27/86)
Republic of Peru Public entity	Construction of Aguarda Blanca irrigation dam in Southern Peru near Arequipa (\$2,095,000)	Sales: Sales France U.S. dollars Total in U.S. dollars	100,000 4,373,000 650,000 <u>2,050,000</u>	8 1/4 % (1979-80)
			30,061,178 18,753,025 2,652,125 1,006,125 1,650,000 78,100,053 16,290,000 900,355 75,301,708	12/28/80
TOTAL LOANS TO PERU EXPRESSED IN U.S. DOLLARS				
Less: Participations				
Net total loans to Peru expressed in U.S. dollars				
Republic of Uruguay Public entity	Expansion of water system for Montevideo (\$14,500,000)	Project nearly completed	Pesos: U.S. dollars Total in U.S. dollars	5 1/4 % (1980-81)
			2,750,000 1,504,028 2,893,035 212,604 5,743,000 6,273,063	8/2/81 (10/9/81)
Municipalidad Nacional de Montevideo Mrs. Abelardo Portillo Public entity	Expansion of sewer plant at Miras and oil refinery at Montevideo (\$8,550,000)	Completed plant project complete; oil refinery project nearing completion	U.S. dollars	5 1/4 % (1980-79)
			4,000,000 4,028,642	6/14/82 6/23/82
Republic of Uruguay Public entity	Construction of 164 miles of highway between Paysandu and Tacuarembó (\$7,001,000)	Project under construction	U.S. dollars	5 1/4 % (1980-79)
			4,100,000 1,215,527 75,239	11/15/82 (2/5/83)
Banco de la Republica Oriental del Uruguay (Republic of Uruguay) Public entity	Agricultural and industrial credits (\$12,200,000)	Project initiated	U.S. dollars	5 1/4 % (1987-79)
			5,000,000	12/19/83 (4/7/84)
Republic of Uruguay Public entity	Expansion of water supply services in eastern coastal cities (\$4,822,000)	U.S. dollars	2,000,000	6/10/85 6/19/85
TOTAL LOANS TO URUGUAY EXPRESSED IN U.S. DOLLARS				6%
Less: Participations				
Net total loans to Uruguay expressed in U.S. dollars				
22,043,000 977,822 1,305,057 81,395 744,983 21,091,695 8,658,037 12,271,133				8,300,075 106,012 2,003,550 67,117,612
REPUBLICA				
Corporación Venezolana de Fomento Public entity	Industrial credits (\$20,500,000)	\$8 credits for an investment of \$7,771,537 authorized	Bolivares U.S. dollars Total in U.S. dollars	5 1/4 % (1984-79)
			13,375,000 6,817,216 3,098,500 1,065,000 2,003,550 9,211,007 6,663,336 2,708,382 1,101,972	5/19/81 6/17/82

ORDINARY CAPITAL RESOURCES  
Statement of Loans as of Dec. 31, 1968

Country and Borrower (Beneficiary)	Project Name	Project Purpose	Currency	Amount	Interest	Staging of Loans (Scheduling)	Interest (Interest)
<b>VENEZUELA (Cont'd.)</b>							
Instituto Nacional de Obras Sanitarias (Republic of Venezuela)	Expansion of water supply for Maracaibo (\$28,586,000)	Project nearly completed	U.S. dollars	5,998,520	5,998,520	400,000	5,598,520 8/22/62 (1968-69)
Public utility							
Banco Agricola y Pecuario (Republic of Venezuela)	Livestock credits (\$35,583,000)	229 industrial credits for \$1,568,610 authorized	U.S. dollars	5,530,000	2,534,666	272,143	2,257,822 4/16/63 (1968-70)
Public utility							
Corporacion Venezolana de Fomento	Industrial credits (\$23,682,000)	40 credits for an investment of \$1,693,099 and 2,617,956 bol- veres authorized	Boliveres + U.S. dollars	5,000,000	2,198,276		2,198,276 11/12/64 (1967-77)
Public utility			Total in U.S. dollars	5,000,000	2,696,875		2,696,875 5/26/65
				10,000,000	2,877,751		2,877,751
C.A. Venezolana de Desarrollo	Industrial credits (\$6,000,000)	14 credits for an investment of \$5,842,863 authorized	Boliveres + U.S. dollars	1,500,000	861,428		861,428 4/7/66 (1968-79)
Private utility			Total in U.S. dollars	1,500,000	855,600		855,600 6/26/66
				3,000,000	1,717,027		1,717,027
Instituto Nacional de Obras Sanitarias (Republic of Venezuela)	Expansion of water system in Comand, Puerto Cabello and Puerto Ordaz and of sewage system in Maracaibo (\$27,519,000)		U.S. dollars	10,000,000			11/29/68 6 1/2% (1968-83)
Public utility							
<b>TOTAL LOANS TO VENEZUELA EXPRESSED IN U.S. DOLLARS</b>							
Loans Participaciones				43,742,567	22,126,707	3,437,595	18,693,202
Net total loans to Venezuela expressed in U.S. dollars				3,807,143	3,807,143	1,407,143	2,400,000
				38,935,424	18,313,564	2,030,438	16,293,202
<b>COLOMBIA</b>							
Asiatic Cto. de Inversiones, S.A. (Asiatic Investment Co. S.A. of Luxembourg)	Industrial credit projects in Latin American member countries (\$43,530,000)	Project initiated	Italian lire	3,125,000,000	468,500,000		468,500,000 4/24/66 6% (1969-81)
Private utility			Total in U.S. dollars	5,000,000	750,000		750,000
				10,000,000	1,400,000		1,400,000
<b>TOTAL COLOMBIAN LOANS EXPRESSED IN U.S. DOLLARS</b>							
				10,000,000	1,400,000		1,400,000
<b>TOTAL LOANS EXPRESSED IN U.S. DOLLARS</b>							
Loans Participaciones				747,106,608	371,702,067	32,600,000	346,133,668
Net total loans expressed in U.S. dollars				28,867,474	22,608,074	8,666,599	13,792,775
				715,939,132	361,968,765	23,933,401	331,201,293

**Notes:**

- A) In addition to the interest rates shown, loans extended before Aug. 6, 1964, carry a commitment fee of ¼% on undisbursed balances; loans made after that date carry a commitment fee of 1%. However, revolving lines of credit to finance exports of capital goods carry no commitment fee. Interest rates include the special commitment of 1% required by Article III, Section 12 of the Agreement.
- B) All of the loans have been approved by the Bank, but certain loans have not become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank.
- C) Interest and amortization are payable in the currency loaned.
- D) On the authorized balance of loans, the Bank has entered into irrevocable commitments to disburse \$28,464,364.
- \* Expressed in U.S. dollar equivalent.
  - \* Italian lire portion is subject to a service commission of 1% and a commitment fee of 1½%.
  - \* Italian lire portion is subject to a service commission of 2% and a commitment fee of 1½%.
  - \* German mark portion is subject to a service commission of 1½% and a commitment fee of 1½%.
  - \* Pound sterling portion is subject to a service commission of 1½% and a commitment fee of 1½%.
  - \* Swiss franc portion is subject to a service commission of 1½% and a commitment fee of 1½%.





## Part II FUND FOR SPECIAL OPERATIONS Operations/Fiscal Year 1966

### Resources

The record volume of lending which the Bank registered in 1966 reflected in large measure the increased contributions made by the Bank's member countries to the Fund for Special Operations in 1965 and 1966.

During 1966 the Bank's member countries completed payment on a \$900 million increase in the Fund's resources which entered into effect March 31, 1965. The first tranche, \$300 million, of this increase was paid by June 30, 1965; the second, \$300 million, by Dec. 31, 1965, and the third, also \$300 million, by Dec. 31, 1966.

The original contributions to the Fund were \$146,316,000. This sum was increased in 1964 by \$75,158,000. Thus, as of Dec. 31, 1966, the contributions to the Fund had risen to \$1,119,474,000, of which \$934,737,000 were contributed in dollars and the equivalent of \$184,737,000 in the currencies of the Latin American member countries of the Bank. The total contributions to the Fund for Special Operations are shown in the accompanying table:

The Bank's Board of Governors at its seventh Annual Meeting in April 1966 in Mexico City requested the Board of Executive Directors to study the possibility of again augmenting the Bank's authorized capital as well as the resources of the Fund for Special Operations. At year end, the Board of Executive Directors had completed the study and it was to be submitted to the consideration of the member governments.

As indicated in the 1965 Annual Report, in increasing the resources of the Fund

CONTRIBUTIONS FUND FOR SPECIAL OPERATIONS (Millions of United States Dollars)	
Country	1966
Argentina	1,000.00
Bolivia	1,000.00
Brazil	1,000.00
Colombia	1,000.00
Costa Rica	1,000.00
Cuba	1,000.00
Guatemala	1,000.00
Honduras	1,000.00
Paraguay	1,000.00
Puerto Rico	1,000.00
Uruguay	1,000.00
Venezuela	1,000.00
<b>Total</b>	<b>11,119.474</b>

for Special Operations by \$900 million in 1965 the Bank's members authorized the Bank to expand the activities of the Fund for Special Operations to include financing for social development programs, including those heretofore financed through the Social Progress Trust Fund. They also said that, in establishing policies for the expanded Fund, the Board of Executive Directors take into consideration the policies which guided Trust Fund operations.

The Bank has administered the Trust Fund for the United States Government under the Alliance for Progress Program since June 1961. Its resources are devoted to financing land settlement and improved land use, housing for low-income groups,

community water supply and sanitation facilities and higher education and advanced training.

In September 1965 the Board put into effect new guidelines which provided for the use of the Fund's resources not only in its own previous fields and in the social fields of the Trust Fund, but also in various new areas, including those related to preinvestment studies and project preparation, rural community development, urban development and support for technical and vocational education.

In its 1966 lending the Bank implemented many of these new policy directives, particularly in the fields of integrated urban development and rural community development. It also greatly expanded its activities in the preinvestment field and in the field of education.

Particularly significant in the use of the Fund's resources was the establishment July 21, 1966, by the Bank's Board of Executive Directors at the mandate of the Bank's Board of Governors of the Preinvestment Fund for Latin American Integration. The new Fund is being devoted to the preparation of feasibility studies of multinational projects designed to accelerate Latin America's economic integration.

The Fund was created with initial resources of \$15 million from the Bank's Fund for Special Operations and shortly thereafter on Sept. 7, 1966, the United States Government and the Bank signed an agreement under which the United States assigned \$1.5 million from the resources of the Social Progress Trust Fund to the new Fund. In addition to these initial resources

the Bank may augment the Preinvestment Fund through contributions from its own members as well as non-member countries and from national and international institutions and agencies.

The Preinvestment Fund is devoted to financing studies through loans, grants and reimbursable technical assistance in the following fields:

- Multinational infrastructure works, including highways, air, marine and river transportation, communications systems and related regional services.

- The integrated development of geoeconomic zones covering areas in two or more countries, as in the joint development of international river basins, including power resources, river navigation, land settlement and forest resources.

- Basic industries of a regional scale which will operate in consumer markets embracing various countries.

- Other integration activities, such as studies and programs for the joint exploration of natural resources; the establishment of multinational agencies and enterprises; research into and exchange of scientific and technical knowledge; study of the legal and institutional infrastructure of integration; the training of personnel, and, in general, the mobilization of manpower.

These operations may be effected with governments, governmental agencies, development agencies, multinational entities, organizations in charge of integration activities and private enterprises.

Even before the Preinvestment Fund was established, the Bank in December 1965 obtained the services of Development and

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Resources Corporation, a New York consulting firm, to make a study on preinvestment projects and programs designed to speed up Latin America's regional economic integration. The study, which was submitted to the Bank in September 1966, singled out various specific initial project ideas termed "suitable to be undertaken in the near future."

These included studies on coking coal, potash and phosphates, heavy mechanical industries and electrical interconnection systems. Others were the evaluation of the hydroelectric, irrigation and navigation potential of several rivers and the joint development of river basins; prospects for the integrated development of frontier areas in South America, similar to those studied by the Bank on the Colombian-Venezuelan and Colombian-Ecuadoran frontier areas, and surveys of Latin America's maritime, air, highway, railway and river transportation systems.

## Loans

The volume of loans authorized by the Bank from its Fund for Special Operations during 1966 was the largest yearly total ever authorized from the Fund. A total of 48 loans amounting to \$291,305,000 were approved during the year, compared with 31 loans totaling \$196,595,000 in 1965, which up to then had been the highest previous yearly total. The 1966 authorizations brought the Bank's cumulative lending from the Fund as of Dec. 31, 1966, to 130 loans totaling \$656,881,856, net of cancellations and exchange adjustments.

Disbursements on loans from the Fund for Special Operations were also significantly higher in 1966 than in any previous year,

amounting to \$44,625,944, compared with the previous high of \$28,636,505 registered in 1965. At the end of the year, cumulative disbursements from the Fund had risen to \$124,506,265.

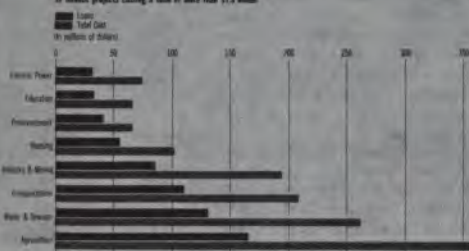
The total cost of the projects and programs being financed with the 48 loans extended from the Fund during 1966 is estimated at \$580 million. The Bank's loans are providing 50 per cent of this sum and the remaining 50 per cent is being provided largely by the borrowers themselves.

The Bank's emphasis on agricultural development during the year was particularly reflected in the loans extended from the Fund. Eleven loans totaling \$88,080,000, or about a third of the Fund's total lending in 1966, were devoted to that sector. The remaining 37 loans were distributed as follows: *industry and mining*, 7 for \$23,600,000; *water supply and sewage systems*, 5 for \$46,950,000; *housing*, 4 for \$43,975,000; *transportation*, 3 for \$27,500,000; *electric power*, 3 for \$9,100,000; *education*, 9 for \$29,100,000, and *preinvestment*, 8 for \$20 million.

The 11 agricultural loans included six to provide credit facilities to help small- and medium-scale farmers to improve their production and productivity. These included \$11 million to the *Instituto de Desarrollo Agropecuario* in Chile; \$400,000 to the *Banco Nacional de Costa Rica*; \$7 million to the *Banco Nacional de Fomento* in Honduras; \$5.1 million to the *Banco Nacional de Nicaragua*; \$2 million (along with \$1.5 million from the ordinary capital resources) to the *Banco Nacional de Panama*; and \$6 million to the *Banco Nacional de Fomento* in Paraguay.

The other five agricultural loans included \$9.7 million to the *Instituto Colombiano de la Reforma Agraria* for an irrigation and farm settlement program in Colombia; \$11,080,000 (along with \$13,000,000 from the ordinary capital resources) to *Nacional Financiera, S.A.* for an irrigation project in Northwest Mexico; \$20 million to the *Republic of Peru* for community development in seven rural Indian areas; \$15 million to help the *Corporación Financiera de la Reforma Agraria* settle 5,250 farm families in Peru's eastern jungle, and \$800,000 (along with \$2,050,000 from the ordinary capital resources) to the *Republic of Peru* to finance the construction of a dam for irrigation in Southern Peru.

Loans from the Fund for Special Operations of 1966 by activity  
in finance projects costing a total of more than \$1.3 million



se seven industrial and mining loans and five which were devoted to projects designed to provide credit for small-medium-scale enterprises. They include two in Bolivia, one for \$1 million to *Industrias S.A.*, and another 0.8 million (along with 1,620,000 in dollars from the Canadian resources which the Bank administers) to the *Asociación Boliviana de Fomento*; a loan of 1 million (along with \$6 million in ordinary capital resources) to the *Indústria do Nordeste do Brasil* for industrial projects in Brazil's Northeast, and two of \$2 million and \$800,000 (supplemented by \$3.2 million from the ordinary resources) to the Banco de Guatemala for industrial and farm projects in Guatemala.

The other two industrial and mining loans included \$2.5 million in the *Corporación de Bolivia* for the third phase of a program to rehabilitate Bolivia's natural mines and \$300,000 to the *Nacional de Cemento, S.A.*, to erect a cement plant at Sucre, Bolivia.

Five water supply and sewage loans included \$14,450,000 to the *Indústria do Nordeste do Brasil* for improving the systems of three Northeast cities, Fortaleza, João Pessoa and Recife; \$12 million to the *Departamento de Aguas e Esgotos de Belo Horizonte* to expand the water system of Belo Horizonte; \$12 million to the water system of the Municipality of Quito; \$1.3 million to the Republic of Guatemala for water supply in 100 small Guatemalan communities; \$7.2 million (supplemented with \$1.8 million from the ordinary capital resources) to Venezuela's *Instituto Nacional de Sanitarios* for improvements in the water systems in Cumana, Puerto Cabello, Maracaibo, Ordaz and in the sewage system in Maracaibo.

Five housing loans included \$12.2 million to finance 3,000 houses, along with electric services, in a large urban reproject being undertaken by the Municipality of Buenos Aires (a complement of \$7 million from the ordinary resources is providing sanitation and other infrastructure facilities for the project); \$20 million to the *Nacional da Habitação* for the construction of 18,700 homes in various Brazilian cities; \$12,050,000 to the *Corporación*

*de Servicios Habitacionales* for 12,000 homes in 75 cities throughout Chile, and \$2,725,000 to the *Instituto de la Vivienda* of Honduras for 2,800 homes in Tegucigalpa.

The three transportation loans included \$45 million to the Republic of Chile for the construction of the Chilean portion of the Trans-Andean Highway between Valparaiso, Chile, and Mendoza, Argentina; \$9 million to the Republic of Guatemala for access roads, and \$3.5 million to the Republic of Panama for farm-to-market roads in Panama.

The electric power loan, one for \$9.1 million (along with another for \$20.4 million from the ordinary capital resources), is financing a 300,000-kilowatt power expansion program being carried out by the *Companhia Hidro Elétrica do São Francisco* in Northeast Brazil.

The nine education loans included \$3.8 million to the Republic of Argentina to improve medical training; \$1 million, also to the Republic of Argentina, to improve metallurgical educational training; \$2.5 million to the *Universidad Técnica Federico Santa María* for the expansion of technological training at that university in Valparaiso, Chile; \$3 million to improve training in agricultural sciences at the University of Chile; \$5.3 million to build and expand facilities of the University of Antioquia in Medellín, Colombia; \$7.7 million for the expansion of the facilities of the *Universidad Nacional de Colombia* in four other Colombian cities; \$1.3 million to the *Banque Nationale de la République d'Haiti* to improve medical and agricultural training in Haiti; \$700,000 to the Republic of Panama to establish a student loan fund, and \$1.8 million to the *Universidad Nacional de Trujillo* to improve instruction and research in basic sciences and chemical engineering in Peru.

Six of the eight *prorogation* loans were designed to establish national funds to identify development projects and carry out specific feasibility studies of projects. They were \$4.3 million to the Republic of Argentina; \$2.1 million to the Republic of Bolivia; \$5 million to *Nacional Financiera, S.A.*, in Mexico; \$700,000 to the Republic of Paraguay; \$3.1 million to the Republic of Peru; and \$1.5 million to the Republic of Uruguay. Those made in Argentina, Mexico and Peru were also accompanied by loans extended from the Canadian resources

A TECHNOLOGICAL RESEARCH INSTITUTE IN Mexico used a Bank loan to purchase new laboratory and experimental equipment. The institute offers training to scientists from Mexico as well as from other Latin American countries.





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which the Bank administers. The other two preinvestment loans were \$300,000 to the *Instituto Agrario de Nicaragua* for a feasibility study of a project to settle 4,500 farm families in that nation's sparsely settled Atlantic coastal region and \$3 million to the *Central American Bank for Economic Integration* to foster Central America's economic integration through preinvestment studies on specific projects.

The rate of interest charged during 1966 on loans extended from the Fund for Special Operations ranged from  $2\frac{3}{4}$  per cent to 4 per cent per annum, according to the nature of the project. In addition, a service charge of  $\frac{3}{4}$  of 1 per cent was applied when required. Most of the loans were extended for terms of from 13 to 30 years.

Loans to national governments and some governmental agencies were extended on the basis of the general responsibility of the borrower; in other cases specific guarantees were obtained.

Loans authorized by the Bank from the Fund for Special Operations are described in the following section, according to the following categories:

- Agriculture
- Industry and Mining
- Water Supply and Sewage Systems
- Housing
- Transportation
- Electric Power
- Education
- Preinvestment

## AGRICULTURE

## CHILE

**FARM CREDIT**  
\$11 million 20-year 2½% loan of Sept. 15, 1966  
(\$6.5 million and \$2.5 million in escudos)  
Borrower: INSTITUTO DE DESARROLLO AGROPECUARIO

Since 1950 Chile's agricultural sector has suffered a period of relative stagnation. The decline of the importance of this sector in the overall economy has been one of the principal factors impeding higher economic growth in the nation. At the same time, Chile has had to increase its imports of agricultural products from \$69 million a year in 1950 to \$161 million in 1963, while its exports of such products went slightly down during the period from \$36 million that year to \$34 million in 1963.

This loan will enable the *Instituto de Desarrollo Agropecuario* to contribute to a

solution of this problem by extending credits under a Supervised Capitalization Credit System to small- and medium-scale farmers for investments designed to raise their production and productivity. More than 10,000 farmers are expected to receive credit under the system. Up to \$60,000 of the loan may be used to finance technical assistance services related to the program.

This program will complement a supervised credit program for small-scale farmers, which the Bank helped finance with a \$6.5 million loan from the Social Progress Trust Fund in 1961. That program benefited some 60,000 low-income farmers.

The loan is guaranteed by the *Corporación de Fomento de la Producción*.

## COLOMBIA

**IRRIGATION AND LAND SETTLEMENT**  
\$9.7 million 25-year 2½% loan of April 26, 1966  
(\$5.4 million and \$4.3 million in Colombian pesos)  
Borrower: INSTITUTO COLOMBIANO DE LA REFORMA AGRARIA

The *Instituto Colombiano de la Reforma Agraria (INCORA)* is a public agency charged with implementing the Agrarian Reform Law adopted by Colombia in 1961. This loan will help *INCORA* to get the first stages of two irrigation and land settlement projects underway in the Department of Bolívar and to complete another in the Department of Valle del Cauca. The latter project will be carried out by *Corporación Autónoma Regional del Valle del Cauca*, the agency in charge of developing the Cauca River Valley.

The project to be carried out by *INCORA* in Bolívar will be undertaken in an area of about 62,000 acres 23 miles south of the city of Cartagena. The total cost of the first stage, which calls for the improvement of some 23,000 acres of land to be subdivided into 430 farms, is \$11,711,300, of which the Bank will finance \$5,414,400. About 700 farmers will be benefited by this project.

The project to be undertaken by the *Corporación del Valle del Cauca* will be carried out in an area of 36,000 acres known as the Roldanillo-La Unión-Ton project about 105 miles north of Cali. The first stage of this project, which will result in the improvement of 25,000 acres, will cost a total of \$10,820,700, of which the Bank will finance \$4,285,600. About 1,000 farmers will be benefited by the project.

a result of the execution of the output of the Bolivar zone is expected to rise five and one-half times by a total of \$6.2 million yearly and of the Roldanillo-La Unión-Toro twice to a total of \$8.7 million by 1970. The loan is guaranteed by the Republic of Colombia.

#### COSTA RICA

##### DEVELOPMENT

7½-year 3¼% loan of Aug. 2, 1966  
(in colones)

**BANCO NACIONAL DE COSTA RICA**  
In 1961 the Bank extended a \$3 million from its ordinary capital resources to *Banco Nacional de Costa Rica* to be used for livestock development projects. A million was extended in dollars remaining \$600,000 in colones.

In 1966 the Bank decided that a amount of local currency should be added to the program. As a result, it \$400,000 of the ordinary capital replaced it with this loan in Costa colones from the Fund for Special

#### PANAMA

##### INDUSTRIAL CREDIT

20-year loan of Oct. 27, 1966  
at 3¼% and \$2.7 million at 2¼%  
and \$1,450,000 in (empireos)

##### BANCO NACIONAL DE FOMENTO

In 1962 the Inter-American Bank extended credits totaling \$8.5 million \$6 million from the Fund for Special Operations and the other for \$2.5 million (the Social Progress Trust Fund) to *Banco Nacional de Fomento* of Honduras to small- and medium-scale industrial enterprises. The program is designed to raise productivity, economic diversification and help improve its status. It is the least member of the Central American Market.

The proceeds of the first loan the Bank financed 1,419 agricultural and 20 industrial credits. The second enabled the *Banco* to extend 400 credits to small farmers.

The new loan will enable the *Banco* to continue its programs in these areas. It will cover some 70 per cent of a program carried out at a total cost of \$10. Up to \$1.3 million of the loan is devoted to credits for medium-scale farmers and industrialists

and \$2.7 million will be devoted to credits for small-scale farmers. In addition some \$96,000 may be allocated to technical assistance and \$14,000 to inspection costs. The loan is guaranteed by the *Banco Central de Honduras*.

#### MEXICO

##### IRRIGATION

\$11,080,000 25-year 4% loan of Dec. 15, 1966  
(\$4 million and \$7,080,000 in Mexican pesos)  
Borrower: **NACIONAL FINANCIERA, S.A.**

This loan, along with another for \$13,000,000 from the ordinary capital resources (page 38), will enable the Government of Mexico to carry out an irrigation project in the Northeastern part of the State of Sinaloa, in an area known as El Sabino near the State of Sonora, and thus bring some 99,000 acres of land in El Carrizo Valley into cultivation.

In addition to its economic benefits, the execution of the project will improve the living standards of some 3,700 low-income farmers who, with their families, would make up a population of some 22,200 persons. Along with the construction of the basic irrigation, agricultural development and social improvement works, Mexico's Department of Hydraulic Resources has drafted a plan for the orderly movement of settlers into the area in order to ensure the integral development of the zone.

Approximately \$9,590,000 of this loan will be used to cover local costs involved in building the irrigation system and the remaining \$1,490,000 will be devoted to such social development sectors as housing and water supply. The loan is guaranteed by the United Mexican States.

**AGRICULTURAL LOANS AT WORK:** Bank Loans provide extensive services for farmers in Paraguay and farm equipment to help Argentine agriculturalists mechanize their operations.



FARM AND  
RURAL OPERATIONS

## NICARAGUA

**FARM CREDIT**  
\$5.1 million 20-year 2½% loan of Nov. 10, 1966  
(\$4,050,000 and \$1,050,000 in cashless)  
Borrower: **BANCO NACIONAL DE NICARAGUA**

In 1962 the Bank extended a loan of \$2.3 million from the Social Progress Trust Fund to the *Banco Nacional de Nicaragua* to finance medium- and long-term credits for low-income farmers. The program, which was designed to increase the production of foodstuffs and improve income levels in the countryside, benefited some 12,000 farmers.

This loan will enable the *Banco Nacional* to continue the program and benefit an additional 17,000 rural families with credits for on-farm improvements. Simultaneously the Bank extended a loan for \$1.9 million from its ordinary capital resources (page 19) to the *Banco Nacional* to improve the nation's rice production. The loan is guaranteed by the Republic of Nicaragua.

## PANAMA

**LIVESTOCK CREDIT**  
\$2 million 20-year 3¼% loan of Sept. 22, 1966  
(\$1.7 million and \$300,000 in cashless)  
Borrower: **BANCO NACIONAL DE PANAMA**

This loan is one of three made by the Inter-American Bank in 1966 to help finance the Robles Plan, Panama's rural development program, in which the efforts of various government agencies are being coordinated to accelerate the growth of six rural areas with a total area of 1.5 million acres.

This loan, along with one from the ordinary capital resources for \$1.5 million (page 19), will be used by the *Banco Nacional de Panamá* to extend credits for the development of meat, pork and poultry production. Up to \$115,000 of the loan may be used for technical assistance services. The loan is guaranteed by the Republic of Panama.

## PARAGUAY

**FARM CREDIT**  
\$6 million 25-year 2¼% loan of Nov. 10, 1966  
(\$4.4 million and \$1.6 million in cashless)  
Borrower: **BANCO NACIONAL DE FOMENTO**

Paraguay's agricultural sector employs about 52 per cent of the nation's economically active population and earns some three-fourths of the nation's foreign exchange. However, productivity in this sector is low due to inadequate infrastructure, shortage of trained personnel, a deficient

land tenure system and insufficient credit.

In 1965 the Bank extended a loan of \$2.9 million from the Social Progress Trust Fund to the *Banco Nacional de Fomento* to help remedy one of these deficiencies by providing credit for small-scale farmers. Under that program some 7,500 farmers and ranchers obtained credits to increase their productivity.

This loan will contribute to the resumption of a further stage of the program costing a total of \$8.8 million, which will benefit approximately 8,000 persons. The loan will cover 68 per cent of the total cost; the *Banco Nacional* will provide 21 per cent and the beneficiaries will put up 7 per cent. The proceeds of the loan will be used to provide short-, medium- and long-term credits for on-farm improvements, the purchase of farm animals, machinery and equipment; the construction of farm facilities, and the development of poultry, bee-keeping and marketing facilities.

Up to \$100,000 of the loan may be used to finance technical assistance related to the execution of the program. The loan is guaranteed by the Republic of Paraguay.

## PERU

**COMMUNITY DEVELOPMENT**  
\$20 million 30-year 2¼% loan of Jan. 27, 1966  
(\$17.6 million and \$2.4 million in cashless)  
Borrower: **REPUBLIC OF PERU**

Most of Peru's Indian population, which accounts for 55 per cent of the nation's 12 million inhabitants, live in centers in the Sierra, which occupies 26 per cent of Peru's land area. The Indian communities, which are concentrated in the valleys and plateaus of the Andean mountain chain, have remained isolated from the nation's economic and social mainstream due to racial, cultural, language and geographic barriers.

This loan will contribute to changing this by helping Peru carry out the first stage in a far-reaching plan designed to improve the social, economic and cultural conditions of this segment of its population. The program is being carried out at an estimated cost of \$39.5 million and includes the execution of 11 sub-projects to improve the living conditions of seven Indian communities with an area of 15,000 square miles and a population of 1,250,000 inhabitants. The regions include Valle del Mantaro, Meseta del Bombón, Puno, Siquani,



Andahuaylas, Cangallo and Callejón de Huaylas. These were selected as zones of influence because of their strategic location in the Peruvian Sierra.

The projects include infrastructure and rural housing, farm extension, agricultural development and soil conservation, agricultural credit, handicrafts and small rural industries, development of cooperatives, agrarian reform, public health, rural education, social and anthropological studies, the training of personnel, organization of communities, and the provision of legal advice to them.

About 28 per cent of the loan will be devoted to the acquisition of equipment for the project, 36 per cent to building materials, 26 per cent to credit programs, and the remaining 10 per cent to stereo-photogrammetric interpretation, technical assistance and loan supervision costs. Up to \$300,000 may be used for the technical assistance aspects of the program.

#### FARM SETTLEMENT

\$13 million 25-year 2½% loan of May 26, 1966  
(\$13.5 million and \$13 million in sales)

Borrower: CORPORACION FINANCIERA DE LA REFORMA AGRARIA

The largest area of unexploited land in Peru is its eastern jungle region, which covers 63 per cent of the country and accounts for some 10 per cent of its population. Although the opening up of new farming lands is vitally important to the nation's economic development, most of this state-owned land is uncultivated. To correct this situation the Government of Peru's 1964 Agrarian Reform Law placed high priority on land settlement and road building programs in this region.

This loan to the *Corporación Financiera de la Reforma Agraria*, the governmental agency in charge of managing funds for agrarian reform programs, will contribute to these twin objectives by helping to settle about 3,250 farm families in an area of 212,000 acres of land in the Departments of Huancayo and San Martín in the Huallaga River Basin. The zone to be benefited has a population of more than 30,000 inhabitants. Its main urban center is Tingo María which has a population of 6,000.

The project, which is being carried out at a total cost of \$25 million, calls for the subdivision of the land into farms, extension of credits to farm settlers for on-farm investments and houses, and construction of 56 miles of roads and other infrastructure

facilities. Some 75 per cent of the loan will be devoted to credits, 25 per cent to highway construction and other infrastructure, and 2 per cent to technical assistance and administrative and supervisory costs. Up to \$80,000 may be used for the technical assistance aspects of the program. The loan is guaranteed by the Republic of Peru.

#### DAM CONSTRUCTION

\$800,000 20-year 2½% loan of Dec. 28, 1966  
(\$800,000 in sales)

Borrower: REPUBLIC OF PERU

This loan, together with another for \$2,050,000 from the ordinary capital resources (page 20), will finance 70 per cent of the cost of a dam and supplementary irrigation facilities near Arequipa in the Southern Peruvian highlands. The system will irrigate an area of 17,000 acres which will be turned over to some 700 farm families under the National Agrarian Reform Plan, and will improve irrigation of another 25,000 acres.

The dam, known as *Aguada Blanca*, will be an addition to a complex of reservoirs and canals which has been built in the last ten years in the Arequipa area to promote the intensive use of the Colca and Clui River basins. The dam will make possible the utilization of virtually the last available water resources in the Arequipa area, the nation's second largest urban center, and will also increase the potable



The Bank loan supports agrarian reform programs in Peru.

Project in the East





**Part II**  
**FUND FOR**  
**SPECIAL OPERATIONS**  
**Operations/Fiscal Year 1966**

**Resources**

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The Bank's Board of Governors at its Seventh Annual Meeting in April 1966 in Mexico City requested the Board of Executive Directors to study the possibility of again augmenting the Bank's authorized capital as well as the resources of the Fund for Special Operations. At year end, the Board of Executive Directors had completed the study and it was to be submitted to the consideration of the member governments.

As indicated in the 1965 Annual Report, in increasing the resources of the Fund

CONTRIBUTIONS FUND FOR SPECIAL OPERATIONS (Accrued in United States dollars)	
Country	1966
Argentina	\$ 60,000
Bolivia	2,000
Brazil	40,000
Chile	20,000
Colombia	20,000
Costa Rica	1,000
Guatemala	10,000
Haiti	10,000
Honduras	10,000
Mexico	5,000
Nicaragua	10,000
Panama	10,000
Paraguay	10,000
Peru	10,000
United States	40,000
Uruguay	10,000
Venezuela	10,000
<b>Total</b>	<b>\$1,119,474,000</b>

for Special Operations by \$900 million in 1967 the Bank's members authorized the Bank to expand the activities of the Fund for Special Operations to include "lending for social development purposes, including those heretofore financed through the Social Progress Trust Fund." They also added that, in establishing policies for the expanded Fund, the Board of Executive Directors take into consideration the policies which guided Trust Fund operations.

The Bank has administered the Trust Fund for the United States Government under the Alliance for Progress Program since June 1961. Its resources are devoted to financing land settlement and improved land use, housing for low-income groups

capital goods and raw materials, raise duties on imported goods which compete with domestic industries, and exempt local industrial firms from certain taxes.

The expansion of this sector has been hampered in large measure by a shortage of capital, due to the lack of a domestic capital market and low national savings. Thus, in order to satisfy its industrial development requirements, Bolivia needs to secure foreign financial assistance and attract foreign investment.

This loan will help a private development Bank in Bolivia, the *Banco Industrial, S.A.*, to carry out a credit program for private industry at a total cost of \$1.5 million. About 67 per cent of this cost will be provided by the Bank loan and 33 per cent by the *Banco* and its sub-borrowers.

Credits will be extended preferentially to enterprises producing goods that replace imports, expand exports, make use of domestic raw materials and increase employment. The loan is guaranteed by the *Banco Central de Bolivia*.

**INDUSTRIAL AND MINING CREDIT**  
\$10.8 million 13-year 3½% loan of Nov. 10, 1966  
(\$8.8 million and \$2 million in Bolivian pesos)  
Borrower: *CORPORACION BOLIVIANA DE FOMENTO*

In 1961 the Inter-American Bank extended a loan of \$10 million from its Fund for Special Operations to the *Corporación Boliviana de Fomento (CBF)* to finance industrial and mining projects. With the proceeds of that loan CBF was able to finance some 221 projects at a total cost of \$23.8 million.

By sectors the loan was allocated as follows: agriculture, \$1,920,000; mining, \$1,193,000; industry, \$2,154,000; electric power, \$2,380,000; sugar mill, \$2,105,000; irrigation and drainage, \$36,000; other specific projects, \$250,000; and capitalized interest, \$82,000.

This new loan, along with another for 1,620,000 Canadian dollars (page 139), will enable CBF to continue its credit program in the industrial and mining sectors, as well as devote up to \$500,000 to credits for home industries. Some \$500,000 of the loan may be used to finance advisory services to improve the operations of CBF. With this loan and its own resources CBF hopes to finance projects totaling \$19.7 million. Through the execution of these projects the nation's industrial and mining output is expected to rise by \$48 million a year.

In extending credits CBF will weigh the contribution of the projects to replacing imports, augmenting exports, increasing employment, making greater use of domestic raw materials, and accelerating the integration process. The loan is guaranteed by the Republic of Bolivia.

## BRAZIL

**INDUSTRIAL CREDIT**  
\$6 million 16-year 2½% loan of Dec. 23, 1966  
Borrower: *BANCO DO NORDESTE DO BRASIL*

This loan, together with another for \$6 million from the ordinary capital resources (page 16), will finance 25 per cent of the cost of an industrial credit program in Northeast Brazil. The project represents a new stage in a program begun in 1961 with the aid of a \$10 million loan from the Fund for Special Operations. The *Banco do Nordeste do Brasil* used the proceeds of that loan to help finance projects worth \$45 million in such industrial groups as textiles, chemical products, metal products, construction materials, electrical appliances and various other manufactures.

The new phase, under which a total investment of \$48 million in some 30 industrial projects is contemplated, will benefit similar groups. The program will be carried out under the direction of the *Superintendência do Desenvolvimento do Nordeste (SUDENE)*, the Brazilian agency charged with the development of the Northeast region, Brazil's most depressed area. The loan is guaranteed by the United States of Brazil.

## GUATEMALA

**INDUSTRIAL AND FARM CREDIT**  
\$2 million 18-year 2½% loan of Aug. 9, 1966  
(\$1.2 million and \$700,000 in quetzales)  
Borrower: *BANCO DE GUATEMALA*

This loan is one of three totaling \$6 million which the Bank extended in 1966 to finance industrial and agricultural credit programs designed to help Guatemala achieve its 1965-69 economic goals. The three include this loan for \$2 million, another for \$3.2 million from the ordinary capital resources (page 16) and a third for \$800,000, also from the Fund for Special Operations (below).

This loan will provide credit for small-scale farms and industries. In addition, up to \$300,000 may be used for technical assistance to the state development institutions which will participate in channeling

BANKS IN BRAZIL'S NORTHEAST help spread knowledge. The *Banco do Nordeste do Brasil* has received \$12 million in State loans which it is releasing to such industries as textiles, metal and chemical products, construction, electronics, and others.



FUND FOR  
SPECIAL OPERATIONS

the credits and another \$175,000 will finance preinvestment studies to prepare specific projects for financing.

**INDUSTRIAL AND FARM CREDIT**  
\$800,000 18-year 3½% loan of Aug. 9, 1966  
(\$800,000 in quetzales)  
Borrower: **BANCO DE GUATEMALA**

This loan supplements the one described above and another for \$3.2 million from the ordinary capital resources (page 16) in financing an industrial and agricultural credit program in Guatemala.

The resources of this loan, along with the one from the ordinary capital resources, will be devoted specifically to extending credits to medium- and large-scale industrial and agricultural producers.

## WATER SUPPLY

## BRAZIL

**WATER SYSTEMS**  
\$14,450,000 25-year 2½% loan of May 29, 1966  
Borrower: **BANCO DO NORDESTE DO BRASIL**

In 1963 the Bank extended a loan of \$12,990,000 from the Social Progress Trust Fund to help finance water supply systems, now virtually complete, for the cities of Natal, Recife, Maceió, Teresina, São Luis and Campina Grande, major cities in Brazil's underdeveloped Northeast, with a total population of more than 2 million.

This new loan will help to finance additional water systems, costing a total of \$28.9 million, for three more Northeast cities—Fortaleza, João Pessoa and Aracaju. The systems will raise the number of persons receiving water service at home in those cities from 251,000 to 790,000. The Bank's financing will provide 50 per cent of the cost of the three projects and local

resources will cover the remaining 30 per cent. All three systems involve the construction of additional intake facilities, water treatment and storage facilities, expansion of the distributing networks, and installation of home connections and meters.

In Fortaleza, the improved system will increase the water supply from 18,000 to 70,000 cubic meters per day, enough to meet the needs of 63 per cent of the city's estimated population of 600,000 in 1970. At present only 13 per cent of the population is served by home connections.

In Aracaju the project will increase the available water supply from 20,000 to 36,000 cubic meters daily, so that by 1980 some 80 per cent of the city's estimated population of 225,000 will be supplied. At present only 70 per cent are served by home connections.

In João Pessoa the project is designed to increase the water supply from 17,500 to 41,000 cubic meters per day so that by 1980 70 per cent of the estimated 300,000 city residents will enjoy home service. At present only 48 per cent of the population has such service.

The loan is guaranteed by the United States of Brazil.

**WATER SYSTEM**  
\$12 million 20-year 3½% loan of Dec. 22, 1966  
(\$8 million and \$4 million in cruzeiros)  
Borrower: **DEPARTAMENTO MUNICIPAL DE AGUAS E ESGOTOS DE BELO HORIZONTE**

Belo Horizonte, capital of the State of Minas Gerais, with a population of 1 million, is one of the largest cities in Brazil. Only 400,000 of this population are presently supplied by the city's water supply system, and these only receive inadequately purified water on a rationed basis. Other residents are supplied by public fountains and open streams. This situation reflects itself in high mortality and morbidity rates and poses a large obstacle to the city's economic development.

The system's inadequacy has become even more serious in recent years due to the rapid growth of the city's population, which expanded by 300,000 persons between 1960 and 1966. Much of this increase was due to a large influx from rural areas of low-income families who have settled in the slums surrounding the city.

This loan will help finance a 25.2 million project designed to expand the system in order to supply 940,000 persons, or 75 per cent of the estimated 1970 popu-

About one-fifth  
of the Bank's  
loans to Brazil  
has been devoted  
to projects in the  
underdeveloped  
Northeast.  
□ Northeast  
□ Brazil



100. The project will provide low-income inhabitants living in the city.

the completion of the intake of the Velhas River; the installation of pumping stations, a treatment plant, the construction of a sewerage system in the city; the expansion of the water supply network; the installation of new water meters and the construction of 13,000. The loan is for the State of Minas Gerais.

*Economia do Estado de*

3 1/2% loan of July 14, 1966  
\$1.3 million in current

#### CIUDAD DE QUITO

capital of Ecuador, has a population of 370,000 inhabitants and a rate of 3.6 per cent annual growth. This population's water supply, which is inadequate for the city, falls short of meeting demand, particularly during the dry season.

The water deficit is estimated at 35 per cent of requirements.

To solve this problem and to increase the supply of 250 liters of water daily for a population of 370,000 persons, the Municipality of Quito has a sewerage expansion program.

The loan will help finance the first stage of the program which is being carried out by the *Municipalidad de Aguas* in charge of the city's water supply. The total cost of \$17,533,000, of which 32 per cent is being financed by the Bank's loan and 32 per cent by the Government.

The loan supplements one for \$3 million received in 1962 from the Inter-American Trust Fund to finance the city's sewerage system. That loan is nearly complete. The loan from the Republic of Ecuador.

2 1/2% loan of Sept. 22, 1966  
\$100,000 in current  
OF GUATEMALA

by 10 per cent of Guatemala's rural inhabitants had

access to public water systems and this access was limited to public taps, not home connections. The remainder of the population had to rely on wells, springs and streams which frequently were impure. This situation reflected itself in a high incidence of water-borne diseases. To improve the situation the Government of Guatemala is undertaking a national program to provide adequate water service to at least half of Guatemala's rural population over the next decade.

This loan will finance 62 per cent of the 2.1 million cost of the first stage of the program. This stage calls for the construction of water systems for 100 communities of between 300 and 2,000 inhabitants each, whose total population is 90,000. The loan proceeds will be used primarily to cover the foreign exchange costs of the project. Up to \$40,000 of the loan may be used to finance technical studies related to the preparation of individual projects. Capacities of the systems will vary, depending on the size of the communities, to supply from 75 to 125 liters of water per capita daily.

#### VENEZUELA

##### WATER AND SEWAGE SYSTEMS

\$7.2 million 18-year 8% loan of Nov. 29, 1966  
(\$7.2 million in bolívares)

Recurrent INSTITUTO NACIONAL DE OBRAS SANITARIAS

This loan supplements another for \$10 million from the ordinary capital resources (page 21) in financing 36 per cent of the cost of four projects to improve the water supply systems of the cities of Cumana, Puerto Cabello and Puerto Ordaz, and the sewage system of Maracaibo.

The four projects will benefit nearly 1 million persons, 650,000 with water and 295,000 with sewage services. Maracaibo is Venezuela's second largest city and an important petroleum and industrial center; Cumana and Puerto Cabello are important ports; and Puerto Ordaz is an Orinoco River port in the rapidly developing eastern part of Venezuela.

The projects are part of a four-year plan of the *Instituto Nacional de Obras Sanitarias*, the agency in charge of the nation's potable water and sewage systems, to extend water supply services to virtually all urban inhabitants, which now account for about two-thirds of Venezuela's population of 9 million. The loan is guaranteed by the Republic of Venezuela.

SANITATION FACILITIES IN QUITO WERE IMPROVED with help of a loan of \$1.3 million which modernized its sewage facilities. Now another Bank loan of \$17 million made in 1966 will help to improve the water supply.





FUND FOR  
SPECIAL OPERATIONS

## HOUSING

## ARGENTINA

## URBAN RENEWAL

\$12.2 million 30-year 2½% loan of Nov. 3, 1966  
(\$10.4 million and \$1.8 million in Argentine pesos)  
Borrower: MUNICIPALIDAD DE LA CIUDAD DE  
BUENOS AIRES

Argentina has a housing deficit which in 1963 was estimated at 1,350,000 units. The greater Buenos Aires area accounted for some 600,000 or nearly half that total. In its 1965-69 National Development Plan the Government of Argentina assigned high priority to home construction, hoping to build some 772,000 houses and their respective community services during the five-year period.

The City of Buenos Aires is carrying out a 12-year urban renewal plan at a total cost of \$700 million to transform a large area of the city into a modern urban center with all modern community facilities and to construct a new development to house persons displaced from slum areas.

Under the program an urban center of 30,000 homes for 250,000 will be built in the Parque Almirante Brown slum area and a new suburb with 15,000 homes for 60,000 persons will be built at Ciudad General Belgrano. The Bank is contributing to the first stage of this program with two loans totaling \$19.2 million—this one for \$12.2 million and another for \$7 million from the ordinary capital resources (page 21).

These loans will enable the *Comisión Municipal de la Vivienda* to finance the construction of 3,000 housing units and their respective services in Ciudad General Belgrano. Up to \$150,000 of the \$12.2 million loan may be devoted to technical assistance services related to the program.

These loans are the second contribution of the Bank to a solution of Argentina's housing problem. In 1962 the Bank extended a loan for \$30 million from the Social Progress Trust Fund to help finance the construction of 15,300 new housing units for low-income families throughout the country. The loan is guaranteed by the Republic of Argentina.

## BRAZIL

## URBAN HOUSING

\$20 million 30-year 2½% loan of Aug. 4, 1966  
(\$15 million and \$5 million in cruzeiros)  
Borrower: BANCO NACIONAL DA HABITAÇÃO

Since 1950 Brazil has experienced a population growth ranging between 3.2 per

cent and 3.5 per cent a year, a figure which has averaged 6 per cent in the cities. This growth has not been matched by a corresponding increase in housing construction, with the result that the nation's home deficit is estimated at approximately 7 million units and is rising at a rate of about 300,000 a year.

To reverse this trend the Brazilian Government adopted a new housing plan in 1964 designed to mobilize financial resources for housing construction by coordinating public and private efforts in the field and by providing incentives in the form of periodic readjustments of outstanding mortgage balances and a readjustment in rents as minimum wages increase. The *Banco Nacional da Habitação*, which was established in 1964 to encourage the construction of low-cost housing, acts as a central clearing center in the execution of the plan.

This loan will finance 50 per cent of the cost of an urban development program to build 18,700 homes and their respective community services in various Brazilian cities. The Bank will finance another 30 per cent. Up to \$400,000 of the loan may be devoted to technical assistance related to the execution of the project. The housing companies, which are joint stock companies engaged in eradicating slums in large cities, will build 13,360 units and the co-operatives, formed by low-income families, will build 5,340. The program also provides for the construction of schools, nurseries, dispensaries, playgrounds, civic and cultural centers, small shops and supplementary urban services. The loan is guaranteed by the United States of Brazil.

## CHILE

## HOUSING

\$12,050,000 30-year 2½% loan of April 26, 1966  
(\$9 million and \$3,050,000 in escudos)  
Borrower: CORPORACION DE SERVICIOS HABITACIONALES

According to Chile's Housing Census, there were 382,900 sub-standard homes in Chile in 1960. Between 1960 and 1965, a total of 160,000 units should have been built to keep pace with population growth, but little more than half of that number were actually built. Consequently, the shortage in 1965 amounted to 440,000 units, 60 per cent in urban centers. Half the latter deficit was concentrated in the metropolitan Santiago area. To solve the prob-

Chile has initiated a National Housing program to build 360,000 housing units between 1961 and 1970.

This loan will help finance the first of a program within the plan to build 10 houses over a six-year period for families now living in slum areas. This calls for the construction of 12,000 houses in 75 cities and towns throughout Chile within a period of two years.

The program is being carried out by *Corporación de Servicios Habitacionales*, a governmental agency responsible for providing housing and community facilities for low-income families in Chile.

The total cost of the first stage of the program is estimated at \$24 million of which the Government of Chile, the *Compañía de Fomento*, the beneficiaries and other Chilean institutions will put up \$11,950,000. The remainder will be covered by the loan. Up to \$100,000 of the loan will be devoted to technical assistance related to the execution of the project. The loan is guaranteed by the Republic of Chile.

#### HONDURAS

**NATIONAL HOUSING**  
\$1,000,000 30-year 2½% loan of April 7, 1966  
\$15,000 and \$500,000 in temporary currency  
Borrower: INSTITUTO DE LA VIVIENDA

In 1962 the Inter-American Bank extended a \$1 million loan from the Social Investment Trust Fund to the *Instituto de la Vivienda (INVIV)* of Honduras to help finance the construction of 716 housing units for low-income families and thus contribute to a solution of the nation's serious housing deficit, estimated at 40 per cent of the nation's existing houses. Due to cost reductions *INVIV* was able to build a total of 752 houses instead of the 716 originally programmed. The houses were built in projects named President Kennedy and on October 21 de Octubre in Tegucigalpa.

This loan will enable *INVIV* to continue the program by building an additional 2,800 houses—1,950 in the President Kennedy project and 850 in a suburb of Tegucigalpa named San José del Pedregal. It will provide the necessary urban facilities including water, sewer and electric systems. In addition, four markets and other community facilities will be built. Up to \$100,000 of the loan may be used for technical assistance related to the execution of the project. The loan is guaranteed by the Republic of Honduras.

#### TRANSPORTATION

##### CHILE

**HIGHWAY CONSTRUCTION**  
\$15 million 20-year 3½% loan of June 16, 1966  
(\$13.5 million and \$1.5 million in escudos)  
Borrower: REPUBLIC OF CHILE

A major obstacle to Latin America's economic integration is the region's inadequate transportation system, which tends to limit the expansion of intra-regional trade. Latin America accounts for only 8 per cent of the world's railroad system and for only 4 per cent of its all-weather roads.

This loan will help solve the problem in an important area between Chile and Argentina. It will help finance construction and improvements of Chilean stretches of the Trans-Andean Highway which links the Chilean port of Valparaíso with the city of Mendoza in Argentina, a distance of 266 miles. The highway then continues east to Buenos Aires, another 600 miles away. The loan will be devoted to improving segments totaling 82 miles in the 140-mile long Chilean portion of the highway.

The road links the large producing and consuming Chilean provinces of Santiago, Valparaíso and Aconcagua which have some 4 million inhabitants with Argentina's principal eastern province, Mendoza, which has a population of 1 million. The



Improvement of the Chilean section of the Trans-Andean Highway, being financed by the Bank, will foster economic integration.

• Valparaíso  
• Santiago  
• Mendoza

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highway project is expected to stimulate trade and tourist flow across the border, due to its strategic location relative to the major markets of both nations. Its total cost is estimated at \$27 million, of which the Bank is providing 53 per cent and the Government of Chile the other 45 per cent.

## GUATEMALA

**ROAD CONSTRUCTION**  
\$9 million 25-year 2½% loan of Dec. 28, 1966  
Borrower: REPUBLIC OF GUATEMALA

In the past decade, Guatemala has devoted substantial resources to improving its road system. As a result, the nation's network of paved trunk roads, which in 1946 consisted of less than 30 miles, had increased in 1965 to more than 993 miles, in addition to 3,700 miles of improved dirt roads.

Guatemala's 1965-69 Economic and Social Development Plan calls for an even higher rate of highway construction to expand the network of trunk roads and, at the same time, complement these with secondary and access roads, whose lack has hindered the development of rural areas.

This loan will help to finance a \$14 million program contained in the Plan which provides for the construction or improvement of 33 access roads with a total length of 493 miles. About 21 of these roads, 195 miles in length, will be completely new and the rest will be improved to ensure their year-round use.

In the selection of the roads to be built or improved, priority will be given to those linking areas of high economic potential with consuming and export centers, to those which supplement national development programs in other sectors, and to those which benefit a large number of producers.

## PANAMA

**HIGHWAY CONSTRUCTION**  
\$2.5 million 20-year 2½% loan of Nov. 2, 1966  
Borrower: REPUBLIC OF PANAMA

As indicated on page 19, in 1965 the Government of Panama initiated a rural development program known as the Robles Plan to develop six zones in the country totaling 1.5 million acres. The zones account for 7.7 per cent of the nation's area and 10 per cent of its population. They include the zones of Santa Rita, Sardinilla and Toabre, near the Panama Canal, and Tonosi, Montijo and Alanje, all on the Pacific coast.

The Bank is supporting this development program with three loans totaling \$7 million. This one will help build 16 farm-to-market roads in the zones with a total length of about 126 miles.

Five of the roads, totaling 32 miles, will be entirely new. The remaining 13, totaling 94 miles, will be rebuilt or completed so that they will be usable the year around. The total cost of the project is \$7,050,000. Of this sum 49.6 per cent is being provided by the Bank and the remainder by the Government of Panama.

The project is being carried out by the *Departamento de Caminos, Aviaación y Muelles*, an agency of the Ministry of Public Works.

In addition to facilitating the flow of materials, equipment and labor to execute the other works scheduled under the Plan, construction of these roads is expected to help increase production in the areas by 86 per cent during the first five years.

## ELECTRIC POWER

## BRAZIL

**HYDROELECTRIC PLANT**  
\$9.1 million 18-year 2½% loan of Aug. 25, 1966  
Borrower: COMPANHIA HIDRO ELÉTRICA DO SÃO FRANCISCO

This loan, together with one for \$20.4 million from the ordinary capital resources (page 20), will finance 37.6 per cent of the cost of a \$79 million project to expand the borrower's hydroelectric generating facility in Northeast Brazil by 300,000 kilowatts.

In 1962 the *Companhia Hidro Elétrica do São Francisco (CHESF)*, a mixed company which supplies electric power to the Northeast, obtained a loan for \$15 million from the Fund for Special Oper-

Fund's aid  
development  
program requires  
Bank's support  
Item  
Notified to  
Recipient



to undertake the first stage in an expansion program of its Paulo Afonso plant, 225 miles southwest of the port of Recife. That project, now almost complete, will bring the plant's generating capacity to 15,000 kilowatts.

The new \$29.5 million Bank financing will help raise that capacity to 915,000 kilowatts and expand the firm's transmission facilities by 820 miles to various cities in Northeast Brazil. The expanded facility is expected to meet all of the foreseeable power requirements of the Northeast, an area with some 6.2 million inhabitants, through 1975. The loan is guaranteed by the United States of Brazil.

## CATION

### ARGENTINA

#### LABORATORY TRAINING

\$2.5 million 20-year 2½% loan of April 24, 1966  
(\$1.6 million and \$900,000 in Argentine pesos)  
Borrower: REPUBLIC OF ARGENTINA

The University of Buenos Aires has engaged in a broad program to improve medical training and research facilities in Argentina. In 1951 it began construction on the 18-story, 1,101-bed Hospital de San Martín Hospital School, designed to replace the facilities of its School of Medicine which are becoming obsolescent. Construction of the project, which is 80 per cent complete, has been delayed by lack of financial resources.

This loan will help complete the building and provide equipment for the hospital. The total cost of the project is estimated at \$10.5 million, not including the construction which has already been carried out.

In the teaching field the project will fit the Schools of Medicine, Dentistry, Pharmacy and Biochemistry. It will also be used to train specialists in hospital administration, nursing and medical research. Up to \$5,000 of the loan may be used for technical assistance related to the execution of the project.

#### LABORATORY EDUCATION

\$2.5 million 20-year 2½% loan of April 24, 1966  
Borrower: REPUBLIC OF ARGENTINA

The Department of Metallurgy of the Comisión Nacional de Energía Atómica (CNEA) of Argentina is engaged in a project to improve instruction and research in metallurgy to supply the quali-

fied metallurgists needed by the nation's industries, universities and research centers. Under the project, CNEA is constructing workshops, offices and a library and is acquiring and installing modern laboratory equipment.

This loan, which will cover 67 per cent of the \$1,490,000 cost of the project, will be devoted to the purchase of the imported laboratory equipment. Completion of the project will enable CNEA to carry out post-graduate courses for holders of degrees in metallurgy, chemistry, physics and engineering; to expand its research programs leading to doctoral degrees, and to embark on regular training courses for technical personnel at various levels in the metallurgical industries, not only in Argentina, but in other member countries of the Bank.

### CHILE

#### EDUCATION

\$2.5 million 25-year 2½% loan of Jan. 6, 1966  
(\$1.6 million and \$900,000 in escudos)  
Borrower: UNIVERSIDAD TÉCNICA FEDERICO SANTA MARÍA

The Government of Chile is seeking to expand the number of university and technical school graduates in order to fulfill the goals of its 1961-70 Ten-Year Economic and Social Development Plan.

This loan will contribute to this end by helping the *Universidad Técnica Federico Santa María* in Valparaíso to carry out the first stage in a 10-year expansion program to enable it to increase the number of its university-level graduates from 62 to 200 annually, as well as triple the enrollment of the University's regional schools and improve instruction.

The University, which is located in Valparaíso, is a private institution which provides technical education at intermediate and advanced levels. Its Valparaíso campus had an enrollment of 898 students in 1965. Of this number 395 were university-level students and 503 were students attending day and night vocational schools. An additional 635 students were enrolled in 14 regional schools located throughout the country.

The total cost of the project being carried out by the University is \$4.1 million, of which sum the Bank's loan will finance 60 per cent. Specifically, the project provides for the expansion of buildings in Valparaíso for the School of Arts and



FUND FOR  
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Crafts with supplementary shop and laboratory facilities. The loan is guaranteed by the *Corporación de Fomento de la Producción*.

**ADVANCED EDUCATION**  
\$5 million 25-year 2 1/4% loan of May 12, 1966  
(\$2.8 million and \$2.2 million in pesos)  
Borrower: UNIVERSIDAD DE CHILE

Chile's trade balance in agricultural products has run a deficit since 1945. In the 1945-49 period the deficit averaged \$18 million annually, climbing to \$56 million yearly in 1950-54 and to \$100 million in the 1960-65 period. About 70 per cent of the deficit items could have been raised in the country.

In order to relieve this imbalance the Chilean Government in its Ten-Year Economic and Social Development Plan for the 1961-70 period has placed high priority on agricultural and livestock development. The Bank has cooperated in this effort by extending loans to Chile for land settlement, irrigation, aerial photogrammetric surveys, farm credit and farm marketing.

This loan will contribute to the same end by enabling the *Universidad de Chile* to improve training in the agricultural sciences and thus provide the agronomists, veterinarians and other professional personnel required by the nation's stepped-up agricultural effort.

Specifically, the loan will provide 78 per cent of the financing for a project, being carried out at a total cost of \$6.4 million, to construct and equip buildings for the University's Schools of Agronomy and of Animal Husbandry and Veterinary Medicine. Up to \$250,000 of the loan may be used to finance technical assistance related to the execution of the project. The loan is guaranteed by the *Corporación de Fomento de la Producción*.

## COLOMBIA

**UNIVERSITY CONSTRUCTION**  
\$5.3 million 19-year 2 1/4% loan of July 21, 1966  
(\$3.7 million and \$1.6 million in Colombian pesos)  
Borrower: UNIVERSIDAD DE ANTIOQUIA

The *Universidad de Antioquia* in Medellín, which was founded in 1822, has the second largest university enrollment in Colombia. In 1965 its enrollment numbered 8,464 students, of whom 4,906 were university level students. However, its facilities, which are scattered throughout the

city, are old, inefficient and over-crowded. In order to change this, the University has initiated a five-year program under which it will build a new campus and carry out academic and administrative improvements.

This loan will finance 55 per cent of the cost of a project to build a new 119-acre campus in Medellín. The loan will help build and equip university buildings with a total floor space of approximately 1 million square feet. These buildings will house the Institute of General Studies, the Schools of Economics, Education and Engineering, a central library, an auditorium and an administration building. Completion of the project will enable the University to have all its facilities in one place, with the exception of its School of Veterinary Medicine and its School of Medicine.

In addition to the building program, the University plans to increase its faculty from 207 to 380 full-time professors, from 83 to 112 half-time professors and from 165 to 224 part-time professors. Once the program is finished the University will be able to handle a university student body of 11,500 and a secondary and intermediate school body of 4,900. The loan is guaranteed by the Republic of Colombia.

**UNIVERSITY IMPROVEMENTS**  
\$7.7 million 20-year 2 1/4% loan of Dec. 8, 1966  
(\$4.5 million and \$3.2 million in Colombian pesos)  
Borrower: UNIVERSIDAD NACIONAL DE COLOMBIA

Colombia is engaged in broad-scale efforts to improve its educational system, which is unable at present to satisfy the growing needs of the nation's population. Only 150 pupils out of 1,000, who enroll in the first grade of primary school, graduate at this level; and of these, only three go on to obtain a university degree. The humanities dominate the curricula in most of the universities, and scientific and technological disciplines do not occupy a place in the curricula commensurate with the nation's development needs.

The *Universidad Nacional de Colombia* is carrying out a four-year expansion program designed to improve its academic, administrative and plant facilities and enable it to increase its enrollment from the 1965 figure of 9,276 students to more than 20,000 by 1969. Through the program the University, the largest in the nation, plans to consolidate its academic structure into nine schools, improve faculty salaries, hire additional professors and create new study

courses. Emphasis will be placed on technical education, on research activities and on intermediate levels—those which supply the country with chemists, agronomists, laboratory technicians and administrative personnel.

This loan will finance 42 per cent of a project which forms part of the plan. The total cost of the project is \$18.4 million. The remaining 58 per cent will be provided by the University. The project involves improvement in facilities at the University's campuses in Bogota, Medellin, Manizales and Palmira.

Specifically the loan will be devoted to the construction of new buildings, the enlargement or improvement of existing ones, and the purchase of laboratory equipment, furnishings, books and other bibliographic material. The loan is guaranteed by the Republic of Colombia.

#### HAITI

AGRICULTURAL AND MEDICAL EDUCATION  
\$1.3 million 30-year 2½% loan of Nov. 17, 1966  
Borrower: BANQUE NATIONALE DE LA REPUBLIQUE D'HAÏTI

The shortage of agricultural and veterinary technicians constitutes a serious handicap to Haiti's agricultural, and consequently its overall economic, development. The nation also suffers from a lack of physicians, having less than one doctor for every 10,000 inhabitants.

This loan will contribute to a solution of these problems by enabling the *Banque Nationale de la République d'Haïti* to finance the following improvements:

- Equipment and materials for the College of Agronomy and Veterinary Medicine of Haiti and improvement of its installations.
- The completion of the Normal school at Marfranc and the building of another at Milot.
- The improvement of the agricultural vocational schools at Laborde, Lesson and Chatard.
- The expansion of the facilities and equipment of the College of Medicine.

Total cost of the program is \$2.7 million. The Bank will finance 48.1 per cent of that cost and the Government of Haiti the remainder. The program will be carried out by the Committee for the Coordination of Agricultural Education and by the College of Medicine and Pharmacy of Haiti.

Along with the loan the Bank extended \$125,000 in non-reimbursable technical assistance to the *Banque Nationale* to defray the cost of advisory services required in the execution of the program. Up to \$95,000 of the loan may also be used for technical assistance services. The loan is guaranteed by the Republic of Haiti.

#### PANAMA

STUDENT LOAN FUND  
\$700,000 20-year 2½% loan of March 17, 1966  
Borrower: REPUBLIC OF PANAMA

Panama has a shortage of professionally trained persons in specialized fields, a factor which hampers its economic and social growth. Although the University of Panama has a large enrollment, only limited numbers of students graduate due, in part, to the fact that students lack funds to devote themselves full-time to their studies. More than 90 per cent of the University's students carry out their studies on a part-time basis or leave school before graduation.

This loan will help correct this situation by contributing to the establishment of a \$1 million "Student Loan Fund" designed to enable students to complete their college education, to pursue post-graduate courses or to carry out technical or vocational training. Low-interest, medium-term loans will be made from the Fund to finance training for undergraduates, and for university and vocational professors. Up to \$40,000 of the loan will finance technical assistance services connected with the execution of the program.

The program is being carried out by the *Instituto para la Formación y Aprovechamiento de los Recursos Humanos*, an autonomous Panamanian agency established in 1965 to administer public funds devoted to scholarships. The program will enable students to pursue specialized courses in such fields as agronomy, engineering, economics, public administration, mathematics, physics, chemistry and biology.

#### PERU

HIGHER EDUCATION  
\$1.8 million 25-year 2½% loan of Dec. 8, 1966  
(\$1.7 million and \$100,000 in sales)  
Borrower: UNIVERSIDAD NACIONAL DE TRUJILLO

During the past 15 years the Peruvian Government has stepped up its efforts to raise the educational level of its people. It has raised expenditures for education from

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1.7 per cent of the nation's gross domestic product in 1950 to 4 per cent in 1965, a year in which nearly 25 per cent of its general budget was devoted to education. These rising expenditures have sought to keep pace with the large increases in student enrollment.

However, expansion in enrollment at the university level has not yet been accompanied by corresponding improvements in teaching methods. Schools providing training in the traditional professions still hold a dominant position in the scholastic structure while those related to agriculture and industry, the principal activities of the country, are comparatively neglected.

This loan will help improve this situation by enabling the *Universidad Nacional de Trujillo*, located in Peru's Northwest state of La Libertad, to carry out a \$3.1 million project to improve instruction and research in basic sciences and in chemical engineering by strengthening its Schools of General Studies and Chemical Engineering.

Under the project additional professors will be hired; new classrooms and administrative buildings will be built; and laboratory equipment, furnishings, books and other teaching materials will be acquired. Up to \$161,000 of the loan may be used for technical assistance connected with the execution of the program.

The University has nine faculties and various schools, institutes and centers. In 1965 it had 309 professors, only 56 of

which were on a full-time basis and an enrollment of 6,880 students. The project will not only result in an expansion of the facilities of the University, but will also improve the caliber of its instruction and increase its research activities. By 1970 the University expects to increase enrollment by 40 per cent and, even more important, the number of graduates by 120 per cent. The loan is guaranteed by the Republic of Peru.

## PREINVESTMENT

## ARGENTINA

\$4.3 million 18-year 3½% loan of Sept. 15, 1966  
(\$1.3 million and \$1 million in Argentine pesos)  
Borrower: REPUBLIC OF ARGENTINA

Since 1962, the Bank has granted two loans totaling \$1,045,884 to help Argentina's national planning agency, the *Consejo Nacional de Desarrollo* (CONADE), finance technical assistance services required in the preparation of the nation's social and economic development programs. The two loans were devoted to the actual and economic studies needed for the preparation of specific programs and projects included in the plan.

This loan, along with another for 700,000 Canadian dollars (page 139), will help CONADE embark on a broader program of preinvestment studies which the agency will carry out at a total cost of \$7.5 million. The loan will be used by CONADE to hire experts or consulting firms for preinvestment studies in the public sector and to extend credits through the *Banco Industrial de la República Argentina* and the *Banco de la Nación Argentina* to the private sector for similar studies designed to determine the technical and economic feasibility of specific projects.

## BOLIVIA

\$2.1 million 18-year 3½% loan of Sept. 1, 1966  
(\$1.7 million and \$400,000 in Bolivian pesos)  
Borrower: REPUBLIC OF BOLIVIA

In order to achieve an increase in its gross domestic product of 6 per cent a year in the 1967-69 period and fulfill the minimum goals of its Ten-Year Economic and Social Development Plan, Bolivia should make investments of some \$750 million. Projects now prepared and ready to be financed represent total investment of only \$45 million. Thus Bolivia needs to step up the preparation of preinvestment studies.

NEW WORKSHOPS, LABORATORIES and a library for the *Universidad Agraria*, an agricultural school at Lima, Peru, are being provided with aid of a \$2 million loan from the Social Progress Trust Fund.



This loan will help the Government of Bolivia to establish a permanent preinvestment fund with an initial capital of \$5 million to fill this need. The Bank's loan will cover 70 per cent of the cost and the Government of Bolivia will provide the remaining 50 per cent.

The fund will be used to finance the preparation of specific projects, both in the public and private sectors, and regional, sectoral and sub-sectoral studies. Up to 80 per cent of the fund will be earmarked for specific projects and 20 per cent for general studies. Some 109 project proposals—40 industrial, 30 agricultural, 20 transportation and 19 mining—have been given priority in the preinvestment program.

The program will be carried out by the *Corporación Boliviana de Fomento*, a governmental agency established in 1942 to foster the economic growth of the country.

#### MEXICO

\$5 million 16-year 4% loan of Dec. 28, 1966  
(\$2 million and \$3 million in Mexican pesos)  
Borrower: **NACIONAL FINANCIERA, S.A.**

Expenditures on public and private preinvestment studies in Mexico have amounted recently to about 5 per cent of the nation's total gross investment. In order to accelerate its economic and social development, the Mexican Government hopes to increase this to a rate of 6 per cent yearly over the next five years.

This loan, along with a loan for 540,000 Canadian dollars from the resources which the Bank administers for the Government of Canada (page 146), will help achieve the latter goal. Specifically, it will enable Mexico to establish a permanent preinvestment fund, with initial capital of \$7.9 million, which will be used to extend credits to carry out studies of the economic, technical and financial feasibility of specific public and private development projects and make regional, sectoral and sub-sectoral studies. At least 70 per cent of the fund's resources will be devoted to specific projects and 30 per cent to general studies.

The studies will be carried out by national and foreign consultants or consulting firms. The loan is guaranteed by the United Mexican States.

#### NICARAGUA

\$300,000 7-year 2½% loan of March 17, 1966  
(\$200,000 and \$100,000 in sandobos)  
Borrower: **INSTITUTO AGRARIO DE NICARAGUA**

Nicaragua has the largest area and the lowest population density of the five Central American countries. Its territory covers some 32 million acres of which only 9.1 million are under cultivation. Due to historic and climatic factors most of the country's population and farm activity has been concentrated on the Pacific coast and, to a lesser degree, on the central plateau, while the vast Atlantic coastal region has been underpopulated and unfarmed.

The Department of Zelaya in this region covers about 50 per cent of the nation's territory but has only 8,000 of the nation's 1.6 million inhabitants and less than 10 per cent of its cultivated land, even though it offers great economic potential due to its forest reserves and tropical farm land.

This loan will enable the *Instituto Agrario de Nicaragua*, the governmental agency established to implement the Agrarian Reform Law adopted in 1963, to carry out studies designed to determine the technical and economic feasibility of a program to settle 4,500 low-income farm families in a zone, known as Rigoberto Cabezas, of 741,000 acres of public lands in the Department.

The program, which is being carried out at a total cost of \$500,000, will include aerophotogrammetric studies, soil analyses, agronomic surveys and appraisals of socio-economic conditions, infrastructure facilities, marketing systems, and housing and public service needs of the population to be settled. The loan is guaranteed by the Republic of Nicaragua.

#### PARAGUAY

\$700,000 16-year 3¼% loan of June 9, 1966  
Borrower: **REPUBLIC OF PARAGUAY**

The preparation of studies of specific investment projects is one of the basic prerequisites for the execution of Paraguay's national development plans for 1967-68 and subsequent years.

This loan will enable Paraguay's *Banco Nacional de Fomento* to establish a \$1 million permanent preinvestment fund to carry out such studies. Seventy per cent of the resources of the fund will be used to finance specific studies of high development priority in both the public and private sectors.



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and 30 per cent will be used to prepare general studies of sectoral and sectional interest.

The *Secretaría Técnica de Planificación*, the nation's planning agency, has identified some 50 project ideas meriting analysis at the present time. The preinvestment fund will be used to pay for the services of consulting firms or individual experts, both national and foreign, to prepare the studies.

## PERU

\$3.1 million 15-year 3½% loan of Sept. 29, 1966  
(\$2.6 million and \$500,000 in soles)

Borrower: REPUBLIC OF PERU

According to Peru's National Planning Institute, some 136 development projects costing a total of 34 billion soles should be carried out during the 1967-69 period. Feasibility or definitive investment studies have been completed for a total of 20 billion soles worth of these projects. The remainder will require feasibility studies costing \$7.6 million and definitive studies costing \$7.4 million.

However, funds needed to draft plans for such projects have been limited. In order to accelerate the preparation of feasibility studies, the Government of Peru has established the *Fondo de Financiamiento de Elaboración de Proyectos de Inversión* (FINEPI).

This loan, along with another for \$40,000 Canadian dollars (page 140) from the resources administered by the Bank for the Government of Canada, will help finance a preinvestment program to be carried out by FINEPI at a total cost of \$6 million. The Bank's financing will cover 60 per cent of that cost, the Peruvian Government 20 per cent and the beneficiaries another 20 per cent. The studies, which will be carried out by individual consultants, consulting firms and universities, will cover the economic and engineering feasibility of projects as well as regional and sectoral analyses.

## URUGUAY

\$1.5 million 16-year 3½% loan of Sept. 1, 1966  
(\$1,250,000 and \$150,000 in Uruguayan pesos)

Borrower: BANCO DE LA REPUBLICA ORIENTAL DEL URUGUAY

Uruguay's National Development Plan, seeks to raise the nation's per capita gross domestic product by 4 per cent annum over the next ten years. In order to accomplish this Uruguay needs to draft the perti-

nent feasibility studies. Some \$900 million in investment projects need to be programmed during the first three years of the plan. Projects worth only \$300 million of this sum have been covered by general or feasibility studies.

This loan will enable the *Banco de la República Oriental del Uruguay* to set up a revolving preinvestment fund with an initial capital of \$2 million to speed up the preparation of such studies. Some 70 per cent of the resources of the fund will be devoted to feasibility studies of specific development projects and 30 per cent will be used to finance general studies designed to identify investment opportunities.

The program will be carried out by the *Comisión de Inversiones de Desarrollo Económico*, which was established by the Uruguayan Government in 1960 to draft development plans. Up to \$50,000 of the loan resources may be used for technical assistance connected with the execution of the program.

## REGIONAL

## INTEGRATION STUDIES

\$3 million 20-year 3½% loan of April 24, 1966  
(\$2.7 million, \$40,000 in Costa Rican colones, \$40,000 in Salvadoran colones, \$40,000 in quetzales, \$40,000 in lempiras and \$40,000 in cordobas)

Borrower: CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

The Inter-American Bank has cooperated closely with the Central American Bank for Economic Integration ever since the latter was established in 1960. In 1961 the Bank provided \$100,000 in non-reimbursable technical assistance to help organize the Central American Bank and the next year signed an agreement to coordinate its activities in the area with the Central American entity.

In addition the Inter-American Bank has extended two loans, totaling \$14.2 million, to the Central American Bank for regional infrastructure and industrial projects. By the end of 1966, the Central American Bank had granted 39 credits amounting to \$20.9 million with the proceeds of these two loans. The Central American Bank also channels a Bank loan of \$2,925,000 to the Central American universities.

This new loan will enable the Central American Bank to finance general preinvestment studies of an economic and social nature on specific projects of regional interest in industry, agriculture and infra-

structure in both the public and private sectors. The Bank's loan will provide 70 per cent of the \$4.3 million cost of the project. The remainder will be provided by the Central American Bank and sub-borrowers. By helping to generate a sustained flow of well-prepared projects, the program is expected to make a large contribution to the future development and integration of the region.

### Technical Assistance

During 1966 the Bank authorized \$25,210,032 from its own resources for technical assistance. This was the highest annual level achieved since the Bank began operations in 1960.<sup>1</sup> This volume compared with \$15,283,926 in 1965.

The technical assistance authorized in 1966 included \$24,071,000 extended on a reimbursable basis and \$1,139,032 on a grant basis. All of the 1966 commitments, with the exception of one approved from the ordinary capital resources, were made from the resources of the Fund for Special Operations.

The 1966 authorizations brought the cumulative net amount of technical assistance extended by the Bank from its ordinary capital resources and its Fund for Special Operations to \$64,788,982, including \$57,873,556 in reimbursable and \$6,915,426 in grant aid.

As in previous years, the grant technical assistance approved in 1966 was financed from the net income of the Fund for Special Operations. The grant aid was used to provide advisory services to member countries in planning; to finance training programs; to carry out research programs and specific studies; and to foster Latin America's economic integration.

The greatest part of the reimbursable assistance consisted of loans extended from the Fund for Special Operations for the creation of preinvestment funds in various member countries. These funds provide credit for private and public entities to finance general and sectoral studies, to prepare technical and financial feasibility studies of specific projects, and to formulate development project proposals for submission to domestic and international sources of financing.

Seven such loans totaling \$19.7 million were approved from the Fund for Special Operations in 1966. Three of those were supplemented with loans extended from the Canadian resources which the Bank administers.

Counting two similar loan projects financed in 1965, the Bank has now helped eight of its individual member countries to set up funds devoted exclusively to speeding up the formulation of project proposals and has helped the Central American Bank for Economic Integration to accelerate the formulation of projects of a regional scope for the five member countries of the Central American Common Market.

Through these loans, the Bank continued implementing a policy adopted by its Board of Executive Directors in 1965 designed to help overcome handicaps created by a lack of properly prepared projects to carry out the national development plans being drafted in Latin America under the Alliance for Progress.

The remaining reimbursable technical assistance authorized in 1966, which amounted to \$4,371,000, was devoted to the preparation of specific projects and to the provision of services connected with the execution of Bank-financed projects.

Following is a summary of the Bank's technical assistance commitments in 1966 and a description of each of the operations authorized during the year.

### Reimbursable

In Argentina, Bolivia, Brazil, Chile, Costa Rica, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela and in Central America . . . . . \$24,071,000

### Non-Reimbursable

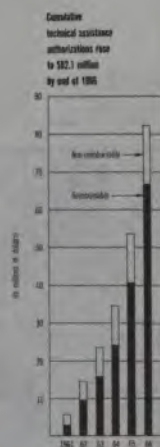
In the Dominican Republic, Haiti, Paraguay, Peru and Uruguay \$ 278,030

Other activities . . . . . 861,002

Total Non-Reimbursable . . . . . 1,139,032

GRAND TOTAL . . . . . \$25,210,032

<sup>1</sup> In addition to authorizations from its own resources, the Bank in 1966 approved technical assistance totaling \$1,982,249 from the Social Progress Trust Fund (page 107) and \$2,440,710 from the Canadian resources which the Bank administers (page 119).



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## Country Activities

## ARGENTINA

Up to \$85,000 of the \$3.8 million loan extended from the Fund for Special Operations April 24 to the University of Buenos Aires to help finance the completion of the José de San Martín Hospital-School (page 67) may be used to cover advisory services related to the execution of the project.

A total of \$150,000 of the \$12.2 million loan extended from the Fund for Special Operations to the Municipality of Buenos Aires Nov. 3 to carry out an urban development program (page 64) may be used to finance services to strengthen the administration of the *Comisión Municipal de la Vivienda*, the agency carrying out the program. A \$4.3 million loan extended to the Republic of Argentina Sept. 15 (page 70) is helping Argentina establish a preinvestment fund. This was accompanied by a loan of 756,000 Canadian dollars from the Canadian resources which the Bank administers (page 139).

## BOLIVIA

Up to \$715,000 of the \$2.5 million loan extended Feb. 10 to the *Corporación Minera de Bolivia* to rehabilitate Bolivia's national mines (page 60) may be used to finance technical assistance services related to the preparation of metallurgical studies and to the search for new deposits of tin. Up to \$35,000 of the \$500,000 loan extended June 23 to expand a cement plant in Bolivia (page 60) may be used to finance technical services required in the execution of the project.

LABORATORY EQUIPMENT IN BRAZIL is being financed with help of a Bank loan under a program designed to foster university training throughout the country in the basic sciences.



Some \$300,000 of the \$10.8 million loan extended to the *Corporación Boliviana de Fomento* Nov. 10 for an industrial credit program (page 61) may be used to finance advisory services related to the reorganization of the borrowing agency.

A loan of \$2.1 million extended to the Republic of Bolivia Sept. 1 will help that nation set up a permanent preinvestment fund (page 70).

## BRAZIL

Up to \$400,000 of the \$20 million loan extended Aug. 4 to Brazil's *Banco Nacional de Habitación* for urban housing (page 64) may be used to finance technical assistance related to the program.

## CHILE

Three of the loans extended to Chilean institutions in 1966 contained technical assistance allocations. They included \$100,000 of the \$12,050,000 loan extended April 24 to the *Corporación de Servicios Habitacionales* for a housing program in 75 communities in Chile (page 64); \$250,000 of the \$1 million loan authorized May 12 to the *Universidad de Chile* to improve training in the agricultural sciences (page 68), and \$60,000 of the \$11 million loan made Sept. 15 to the *Instituto de Desarrollo Agrario* (page 56) for a farm credit program.

## DOMINICAN REPUBLIC

Four grants were authorized in 1966 for technical assistance services in the Dominican Republic. They were: \$15,000 May 12 to help finance the activities of the OAS-IDB-ECLA Tripartite Mission which rendered advisory services on planning matters to governmental agencies; \$76,100 approved Nov. 3 to help the Dominican Government formulate a national development program; \$50,000 Oct. 19 to help the Dominican Republic carry out a highway improvement feasibility study, and \$50,000 authorized Dec. 27 to enable the Ministry of Public Works to carry out a study to improve the port facilities of Puerto Plata.

## EL SALVADOR

On Aug. 15 the Bank authorized \$50,000 in reimbursable technical assistance to help the Rural Settlement Institute carry out a study on a national colonization program.

## GUATEMALA

Up to \$300,000 of the \$2 million loan extended Aug. 9 to the *Banco de Guatemala* for an industrial and farm credit program (page 61) may be used to finance advisory services to the state development institutions which will channel the credits to borrowers. Another \$175,000 of the loan may be devoted to preinvestment studies of individual projects.

Up to \$40,000 of the \$1.3 million loan extended to the Republic of Guatemala Sept. 22 for the construction of water supply systems in 100 rural communities (page 63) may be used to finance studies of individual projects.

## HAITI

Up to \$95,000 of the \$1.3 million loan extended Nov. 17 to the *Banque Nationale de la République d'Haiti* to improve training in the agricultural and medical sciences (page 69) may be used to finance the technical assistance requirements of the program.

On Nov. 17, 1966, the Bank authorized the use of \$60,000 of a \$3.5 million loan extended in 1961 to the *Banque Nationale* from the Fund for Special Operations for technical assistance services related to the execution of the industrial and farm credit program to which the loan was devoted. This sum was supplemented Nov. 17 with an \$18,000 technical assistance grant.

## HONDURAS

Two loans extended in Honduras in 1966 included allocations to finance technical assistance services required in the execution of the respective programs. They were \$100,000 of the \$2,725,000 loan extended April 7 to the *Instituto de la Vivienda* for a housing project (page 65) and \$96,000 of the \$7 million loan extended Oct. 27 to the *Banco Nacional de Fomento* for a farm and industrial credit program (page 57).

## MEXICO

A \$5 million loan from the Fund for Special Operations extended Dec. 28 to *Nacional Financiera, S.A.*, will help Mexico establish a preinvestment fund (page 71). It was accompanied by one for 540,000 Canadian dollars from the Canadian resources which the Bank administers (page 140).

## NICARAGUA

A \$300,000 loan to the *Instituto Agrario de Nicaragua* authorized March 17 will help finance studies related to a farm settlement project for 4,500 families in a region known as Rigoberto Cabezas (page 71).

Up to \$90,000 of a \$1.9 million loan from the ordinary capital resources extended to the *Banco Nacional de Nicaragua* Nov. 10 for a project to expand rice production (page 19) may be used to finance technical assistance services related to the program's execution.

## PANAMA

Up to \$40,000 of the \$700,000 loan extended to the Republic of Panama March 17 for a university scholarship program (page 69) may be used to finance technical services related to the execution of the program. Some \$113,000 of the loan for \$2 million authorized Sept. 22 to the *Banco Nacional de Panama* for a livestock development program (page 58) may be used to finance technical assistance services required in carrying out the program.

## PARAGUAY

A \$700,000 loan extended June 9 will help the Republic of Paraguay to establish a preinvestment fund (page 71). Up to \$100,000 of the \$6 million loan made to the *Banco Nacional de Fomento* Nov. 10 for a farm credit program may be used to finance advisory services.

The Bank authorized \$15,000 in reimbursable technical assistance Sept. 12 to help the Ministry of Finance make a feasibility study of a cement plant. Another \$30,000 grant was authorized by the Bank Aug. 8 for technical assistance for the execution of activities preparatory to the possible fulfillment of the functions of the Bank as financial agent for Paraguay. A \$10,000 grant was authorized May 12 to finance the costs of the OAS-IDB-ECLA Tripartite Mission which advised Paraguayan authorities in development planning.

## PERU

Three loans extended to Peru in 1966 included allocations for technical assistance services. They were \$300,000 of a \$20 million loan to the Republic of Peru authorized Jan. 27 for a community development program (page 58); up to \$80,000 of the



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\$15 million loan extended May 26 for a farm settlement program (page 59), and up to \$161,000 of the \$1.8 million loan extended Dec. 8 to the *Universidad de Trujillo* for a project to improve training in basic sciences and chemical engineering (page 59).

The Bank extended a loan for \$3.1 million Sept. 29 to the Republic of Peru to help finance a program of preinvestment studies which will be carried out by a national planning agency. This was accompanied by a loan of 540,000 Canadian dollars from the Canadian resources which the Bank administers (page 140).

The Bank authorized \$17,000 in reimbursable technical assistance April 12 to help finance studies to improve the *Universidad Cayetano Heredia* and \$49,000, also reimbursable, Nov. 7 to help the Ministry of Public Works prepare various preinvestment studies pertaining to an irrigation project. A \$15,000 grant authorized Aug. 8 will provide advisory services to Peru's National Planning Institute.

## URUGUAY

On May 12 the Bank authorized a \$1,370 grant to help finance the activities of the OAS-IDB-ECLA Tripartite Mission which advised Uruguay on development planning matters. A \$12,500 grant authorized Aug. 16 is financing technical assistance services connected with a possible Bank role as financial agent for the Government of Uruguay in mobilizing external resources needed to carry out the nation's development plan.

A \$1.5 million loan extended Sept. 1 is helping the *Banco de la República Oriental del Uruguay* to create a preinvestment fund (page 72).

## VENEZUELA

On Aug. 4 the Bank authorized \$85,000 in reimbursable technical assistance to the Community Development Foundation to help finance studies related to urban development in Venezuela.

## REGIONAL

On April 24 the Bank extended a \$3 million loan to the Central American Bank for Economic Integration to help finance a program of preinvestment studies for specific developments projects of a regional scope in the fields of industry, agriculture and infrastructure, both in the public and

private sectors, in its five member nations—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua (page 72).

## Other Activities

In addition to the technical assistance activities described above, the Bank in 1966 authorized \$861,002 in grant technical assistance for activities of a general nature in training, planning and research, and in the promotion of Latin America's integration. In many cases these grants were supplemented with others from the Social Progress Trust Fund.

## TRAINING

During 1966 the Bank conducted two development training courses at its headquarters for 42 participants from 18 member countries. The courses acquaint officials with the organization, policies, methods and operations of the Bank, as well as of other international financing agencies. The Bank assigned \$45,000 Feb. 21 and \$15,000 Aug. 29 to finance the two courses. The Bank also authorized \$32,500 Dec. 5 for the acquisition of training material for future courses.

The training courses at the Bank's headquarters are supplemented by courses carried out in the member countries. To help organize the Ninth Course, carried out in association with the Latin American Center for Monetary Studies in Mexico City, the Bank authorized \$12,836 on April 12.

Other grants authorized for courses, seminars and similar activities included \$15,000 Feb. 14 to help the Inter-American Institute of International Legal Studies to carry out a training program on Central American integration; \$29,400 March 7 for a course on the preparation and evaluation of industrial projects carried out by the Secretariat of Central American Integration; \$2,000 April 4 for a seminar on agricultural credit in El Salvador; \$10,250 June 7 for a course on Central American development sponsored by the UN Economic Commission for Latin America; \$2,138 Aug. 4 for a seminar on development institutions sponsored by the Bank; \$20,440 Oct. 24 for a seminar to be carried out at the Bank's headquarters on industrial appraisal; \$15,000 Oct. 25 for a course on industrial projects in Guatemala; \$7,875 Dec. 19 for an evaluation of the Bank's training activities; \$5,062 Dec. 20 for fellowships for officials

Paraguay's Planning Secretariat, \$10,000 Dec. 20 for fellowships on port administration, and \$25,000 Dec. 28 for a study on comparative law carried out by the Catholic University of Valparaiso (Chile).

#### FINANCING AND RESEARCH

In the planning and research fields, the Bank authorized three grants in Central America, as follows: \$122,000 May 19 for technical assistance on the preparation of development projects being carried out by the Bank, the OAS and Israel in five Central American Countries; \$35,000 June 2 to help finance the activities of the OAS-IDB-ECLA Tripartite Mission which provided advice on development planning in Central America, and \$25,000 Dec. 29 for a study of the operations and procedures of the Central American Bank of Economic Integration.

The Bank approved \$10,000 May 10 for a study of customs policies in Latin America carried out in cooperation with the IDB; \$10,000 May 24 for a study dealing the creation of a common bond by the Latin American Central Banks directed out by the Latin American Center for Monetary Studies; \$50,000 April 12 to the Central American Institute of Zoological and Industrial Research for the preparation of industrial project and preinvestment studies in Guatemala; and \$6,000 Nov. 23 to contribute to development library program sponsored by the Bank through the Latin American Center for Monetary Studies.

#### ECONOMIC INTEGRATION

In the integration field, the Bank approved \$250,000 April 7 from the Fund for Special Operations to finance a study to develop telecommunications systems in Latin America. On Oct. 15 the Bank subordinated \$200,000 of this amount with the proceeds of the Social Progress Trust Fund from the United States Government as added to the Preinvestment Fund for Latin American Integration (page 53).

The Bank authorized \$5,000 July 25 for a meeting on Latin American integration at the Bank's Institute for Latin American Integration in Buenos Aires.

On Oct. 24 the Bank approved \$50,000 for preliminary studies on the possibility of developing the River Plate basin on integrated basis.

The Bank authorized \$50,000 Nov. 3 for a study which the Bank has been carrying out jointly with ECLA and the Latin American Institute for Economic and Social Planning since 1964 to provide antecedents for the negotiation of integration agreements in the major industries in Latin America.

#### Financial Highlights

The net earnings of the Fund for Special Operations in 1966 totaled \$3,633,680, before deducting charges for technical assistance which amounted to \$1,258,600. These figures compared with net earnings of \$2,876,625 and technical assistance expenditures of \$899,104 in 1965.

Gross income for 1966 was \$6,310,513, compared with \$1,961,612 in 1965. The 1966 gross income from the Fund for Special Operations included \$3,593,103 derived from interest on loans, \$1,045,426 from commitment charges, \$5,686 from commissions on loans, \$1,649,784 from short-term investments and \$16,514 from other sources.

As of Dec. 31, 1966, the general reserve of the Fund for Special Operations had risen to \$5,783,110, compared with \$3,408,030 at the end of 1965.

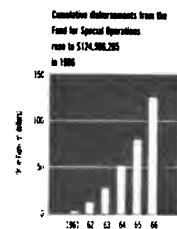
Total administrative expenses chargeable to the Fund for Special Operations in



LOAN PROJECTS ARE PREPARED IN Brazil with help of portions of various loans. In addition, one loan for \$5 million extended in 1966 is devoted solely to the preparation of preinvestment studies of new projects.

1966 were \$2,708,811, compared with \$2,084,987 in 1965. Disbursements on loans from the Fund for Special Operations amounted to \$11,625,944, compared with \$28,636,505 in 1965. These brought cumulative disbursements on such loans as of Dec. 31, 1966, to \$124,506,265.

Repayments on loans amounted to \$5,472,610. These brought total repayments at the end of the year to \$9,528,046. The audited financial statements of the Fund for Special Operations are contained in the following pages.



FUND FOR  
SPECIAL OPERATIONS

FINANCIAL STATEMENTS  
FUND FOR SPECIAL OPERATIONS

## INTER-A

### OPINION OF INDEPENDENT AUDITOR FUND FOR SPECIAL OPERATIONS

To: Inter-American Development Bank  
Washington, D. C.

In our opinion, the accompanying financial statements (Appendices II-1 to II-7) present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Fund for Special Operations at December 31, 1966, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Washington, D. C.  
February 7, 1967

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FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS  
BALANCE SHEET  
DECEMBER 31, 1965 AND DECEMBER 31, 1966  
Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

APPENDIX II-1

ASSETS	1966	1965
<b>Due from banks (Appendix II-6) (Note B)</b>		
Unrestricted		
United States dollars .....	\$ 486,250	\$ 362,888
Member currencies other than United States dollars .....	52,831,412	66,971,181
Restricted		
United States dollars (Note E) .....		757,982
Member currencies other than United States dollars (Note C) .....	17,956,796	23,807,750
	\$ 71,274,458	\$ 91,899,701
<b>Investments</b>		
United States Government obligations (at amortized cost—face amount 1965 \$11,000,000—1966 \$12,000,000) .....	10,979,300	11,980,780
Time deposits—United States dollars .....	33,495,542	10,490,843
Accrued interest .....	463,075	262,751
	44,937,917	22,734,374
<b>Loans outstanding held by Bank (Appendix II-4)</b>		
Total loans approved by Bank since inception, less cancellations .....	366,399,554	656,881,856
Less principal repayments to Bank .....	3,856,660	8,958,217
Less loans sold .....	1,645,058	1,645,058
Approved loans held by Bank .....	360,897,836	646,278,581
Less undisbursed balance of approved loans held by Bank .....	286,519,233	532,375,591
	74,378,603	113,902,990
<b>Accrued charges on loans held by Bank .....</b>	677,858	1,348,727
<b>Due from members (Note D)</b>		
Contribution quotas receivable		
United States dollars or gold .....	250,276,500	
Member currencies other than United States dollars .....	48,806,000	
Non-negotiable, non-interest-bearing demand obligations denominated in member's currencies including 1965 US \$500,000,000—1966 US \$748,000,000 restricted (Appendix II-6) (Note E) .....	632,292,233	931,374,733
	931,374,733	888,781,124
<b>Other assets .....</b>	412,176	708,147
<b>Total assets .....</b>	\$1,123,055,745	\$1,129,408,115

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS  
BALANCE SHEET  
DECEMBER 31, 1965 AND DECEMBER 31, 1966  
Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

APPENDIX II-1

LIABILITIES AND FUND BALANCES	1965	1966
<b>Liabilities</b>		
Accrued expenses and accounts payable .....	\$ 105,758	\$ 129,036
Funds held in trust (Note J) .....	67,957	21,600
Special letters of credit (Note E) .....		4,000,287
Fund for special supervision and inspection of loans (Note K) .....		
<b>Fund balance</b>		
Contribution quotas (Appendix II-5) (Notes D and F)		
Total quotas subscribed .....	\$1,119,474,000	\$1,119,474,000
General reserve (Appendix II-2) (Notes H and I) .....	3,408,030	5,783,110
Total liabilities and Fund balances .....	<u>\$1,122,882,030</u>	<u>1,125,257,110</u>
	<u>\$1,123,055,745</u>	<u>\$1,125,400,113</u>

**FUND FOR SPECIAL OPERATIONS**  
**INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS**  
**STATEMENT OF INCOME AND EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 1965 AND DECEMBER 31, 1966**  
Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

APPENDIX II-2

	1965	1966
<b>Income</b>		
From loans		
Interest	\$2,522,437	\$3,593,103
Commitment charges	116,523	1,045,426
Commissions	2,638,960	5,686
From investments	2,296,944	1,649,794
From other sources	25,708	16,514
Gross income	4,961,612	6,310,513
<b>Expenses</b>		
Administrative expenses (Note G) (See Appendix I-7, Note L)		
Board of Governors		
Annual meeting	57,661	39,384
Board of Executive Directors		
Salaries	71,148	71,002
Other compensation and benefits	16,395	19,324
Travel	14,583	25,434
Staff		
Salaries	1,070,487	1,324,496
Other compensation and benefits	373,001	458,334
Travel	146,297	213,294
Other administrative expenses		
Communications	83,213	102,382
Office occupancy	116,620	182,263
Publications and printing	40,303	33,794
Supplies and equipment	85,765	115,469
Miscellaneous	121,359	98,900
Field offices		
Salaries	101,066	69,153
Other	151,604	305,009
	2,449,502	3,029,418
Charge equivalent to depreciation (Note G)	32,763	33,282
	2,482,265	3,062,710
Less amounts charged to Social Progress Trust Fund for indirect and overhead expenses by Bank as Administrator (See Appendix III-6, Note B)	397,278	353,889
Total administrative expenses including depreciation	2,084,987	2,706,811
Income before special addition	2,876,625	3,603,702
Addition to income arising from retroactive adjustment of rate used in charging Social Progress Trust Fund for indirect and overhead expenses (See Appendix III-6, Note B)		31,978
Net income	\$ 2,876,625	\$ 3,635,680

## STATEMENT OF DISPOSITION OF NET INCOME AND CHANGES IN GENERAL RESERVE

	1965	1966
Net income	\$ 2,876,625	\$ 3,635,680
Disposition:		
Technical assistance (Appendix II-3) (Note I)	899,104	1,290,000
Addition to general reserve (Note H)	1,977,521	2,375,680
General reserve beginning of year	1,430,509	3,408,680
General reserve end of year (Note H)	\$ 3,408,030	\$ 5,783,110

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS  
 STATEMENT OF TECHNICAL ASSISTANCE EXPENSE (NOTE I)  
 JANUARY 1 TO DECEMBER 31, 1966  
 Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

APPENDIX II-3

Chile .....	\$ 19,730
Costa Rica .....	10,983
Dominican Republic .....	35,568
Ecuador .....	7,895
Guatemala .....	10,993
Haiti .....	19,229
Honduras .....	5,070
Paraguay .....	27,103
Peru .....	13,350
Uruguay .....	114
Central American Bank for Economic Integration .....	10,030
Central America-Tripartite Mission .....	47,002
Secretariat for Central America Economic Integration .....	10,000
Intern training in the Bank .....	44,111
Fellowships .....	37,237
Substantive studies .....	403,230
Institute for Latin American Integration (Note J) .....	119,000
Courses and seminars .....	445,846
Miscellaneous .....	75,129
	<u>1,341,468</u>
Less refunds and adjustments for prior years .....	82,888
	<u>\$1,258,580</u>



FUND FOR SPECIAL OPERATIONS  
 INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS  
 SUMMARY STATEMENT OF LOANS  
 DECEMBER 31, 1966  
 Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

APPENDIX II-4

Member in whose territory loans have been made (1)	Total loans approved by Bank since inception, less cancellations (2)	Principal repayments to Bank	Loans sold	Approved loans held by Bank			Currency in which disbursed portion of approved loans held by Bank is repayable	
				Total	Undisbursed	Outstanding	United States dollars (3)	Member's currency (4)
Argentina .....	\$ 48,578,128	\$ 14,824	\$ 67,740	\$ 48,495,564	\$ 47,354,569	\$ 1,140,995	\$ 628,204	\$ 512,791
Bolivia .....	44,760,000	4,029,877		40,730,123	21,876,983	18,853,140	11,527,085	7,326,055
Brazil .....	159,675,633	913,180		158,762,453	130,574,534	28,187,919	12,182,396	16,065,523
Chile .....	73,880,503	135,605	663,158	73,081,740	63,265,028	9,816,712	1,436,842	8,379,876
Colombia .....	34,905,103	33,173	115,384	34,756,546	31,333,109	3,423,437	744,683	2,678,744
Costa Rica .....	10,100,000			10,100,000	8,994,934	1,105,066		1,105,066
Dominican Republic .....	5,240,000			5,240,000	5,000,500	239,500		239,500
Ecuador .....	19,461,892	649,973		18,811,919	13,524,835	5,287,084	5,056,084	231,000
El Salvador .....	182,728			182,728	182,728	123,002		59,005
Guatemala .....	13,635,000			13,635,000	13,436,326	198,674	148,674	49,000
Haiti .....	7,160,000	268,763		6,891,237	5,137,271	1,753,966		1,753,966
Honduras .....	29,640,000	797,572	798,776	28,843,652	20,035,142	8,808,510	5,408,000	2,888,510
Mexico .....	63,680,000			63,680,000	57,680,617	5,999,383	1,823,894	4,185,579
Nicaragua .....	22,100,000			22,100,000	17,817,906	4,282,094		4,282,094
Panama .....	19,400,000	371,751		19,028,249	15,515,582	3,512,667	2,486,244	1,083,423
Paraguay .....	29,906,942	1,505,327		28,401,615	19,938,622	8,462,993	6,140,128	2,322,085
Peru .....	41,175,000	21,172		41,153,828	40,303,574	850,254	270,082	578,572
Uruguay .....	6,297,000	197,000		6,100,000	6,075,315	24,685		24,685
Venezuela .....	9,900,000	20,000		9,880,000	8,464,391	1,415,609		1,415,609
Central American Countries— Central American Bank for Economic Integration .....	17,203,927			17,203,927	6,046,353	11,157,574	8,000,882	3,006,082
<b>Total .....</b>	<b>\$656,881,856</b>	<b>\$8,958,217</b>	<b>\$1,645,058</b>	<b>\$646,278,581 (3)</b>	<b>\$532,375,591 (4)</b>	<b>\$113,902,990</b>	<b>\$56,035,730</b>	<b>\$57,867,268</b>

(1) The Bank makes loans to its members or political subdivisions of its members or to private enterprises located in the territory of its members. For loans to borrowers other than members, the Bank in many instances has received either the member's guarantee or other security deemed appropriate by the Bank.

(2) All of the loans have been approved by the Bank, but certain loans have not become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank.

(3) Of the total approved loans held by the Bank, loans aggregating \$317,863,581 had

become effective (i.e., eligible for disbursement) as of December 31, 1966 (see (2) above).

(4) The Bank has entered into irrevocable commitments to disburse \$6,857,380.

(5) Amounts include loan balances of \$2,250,000 which, subject to the Bank's approval may be repaid in members' currencies and \$7,461,017 which, at the option of the borrowers, may be repaid in members' currencies.

(6) Amounts include loan balances of \$17,682,085 which, at the option of the borrowers, may be repaid in United States dollars.

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS  
 STATEMENT OF CONTRIBUTION QUOTAS  
 DECEMBER 31, 1966  
 Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

Member	Percent of total	Total subscribed quota	Contributions received		Non-capitalizable, non-interest-bearing assumed obligations
			United States dollars	Member currency	
Argentina .....	4.36	\$ 48,873,000	\$ 7,735,500	\$ 799,838	\$ 40,337,662
Bolivia .....	.35	3,324,000	621,000	971,000	2,332,000
Brazil .....	4.36	48,873,000	7,735,500	41,137,500	
Chile .....	1.20	13,419,000	2,124,000	11,295,000	
Colombia .....	1.20	13,410,000	2,122,500	11,287,500	
Costa Rica .....	.18	1,962,000	310,500	1,651,500	
Dominican Republic .....	.23	2,616,000	414,000	2,202,000	
Ecuador .....	.23	2,616,000	414,000	2,202,000	
El Salvador .....	.18	1,962,000	310,500	1,651,500	
Guatemala .....	.23	2,616,000	414,000	2,202,000	
Haiti .....	.18	1,962,000	310,500	310,500	1,341,000
Honduras .....	.18	1,962,000	310,500	1,651,500	
Mexico .....	2.80	31,419,000	4,972,500	26,446,500	
Nicaragua .....	.18	1,962,000	310,500	1,651,500	
Panama .....	.18	1,962,000	310,500	423,500	1,228,000
Paraguay .....	.19	1,962,000	310,500	757,500	894,000
Peru .....	.58	6,546,000	1,036,500	694,455	4,815,045
United States .....	80.39	906,000,000	77,000,000		823,000,000
Uruguay .....	.47	5,241,000	829,500	49,000	4,362,500
Venezuela .....	2.34	26,187,000	4,144,500	1,571,533	20,470,967
<b>Total .....</b>	<b>100.00</b>	<b>\$1,119,474,000</b>	<b>\$111,737,000</b>	<b>\$108,965,826</b>	<b>\$898,761,174</b>

# 354 INTER-AMERICAN DEVELOPMENT BANK ACT AMENDMENTS

## FUND FOR SPECIAL OPERATIONS INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS STATEMENT OF CURRENCIES AND DEMAND OBLIGATIONS HELD BY THE BANK DECEMBER 31, 1966

APPENDIX II

See Notes to Financial Statements—Appendix II-7

Member	Unit of currency	Exchange rate (1)	Due from banks		Non-negotiable, non-interest-bearing demand obligations		Total	
			Amount in local currency	Expressed in United States dollars	Amount in local currency	Expressed in United States dollars	Amount in local currency	Expressed in United States dollars
Argentina .....	Peso	82.525	4,067,302	\$ 49,286	3,328,865,580	\$ 40,337,682	3,332,932,882	\$ 40,386,968
Argentina .....	Peso	172.34	452,394	2,625			452,394	2,625
Argentina .....	Peso	218.84	6,652,323	30,398			6,652,323	30,398
Bolivia .....	Peso Boliviano	11.875	47,771,922	4,022,556	27,692,500	2,332,000	75,464,422	6,354,556
Brazil .....	Cruzeiro	18.50	579,102,027	31,302,812			579,102,027	31,302,812
Brazil .....	Cruzeiro	2,075.40	885,167,504	426,504			885,167,504	426,504
Chile .....	Escudo	4.37	38,435,314	8,795,266			38,435,314	8,795,266
Colombia .....	Peso	9.00	89,766,466	9,974,052			89,766,466	9,974,052
Colombia .....	Peso	12.48	933,241	74,765			933,241	74,765
Costa Rica .....	Colon	6.62	6,012,515	907,989			6,012,515	907,989
Dominican Republic .....	Peso	1.00	2,047,754	2,047,754			2,047,754	2,047,754
Ecuador .....	Sucre	18.00	35,761,001	1,986,722			35,761,001	1,986,722
El Salvador .....	Colon	2.50	3,599,596	1,439,838			3,599,596	1,439,838
Guatemala .....	Quetzal	1.00	240	240			240	240
Guatemala (Note C) .....	Quetzal	1.00	1,788,000	1,788,000			1,788,000	1,788,000
Haiti .....	Gourde	5.00	2,953,306	590,661	6,705,000	1,341,000	9,658,306	1,931,661
Honduras .....	Lempira	2.00	2,890,826	1,445,413			2,890,826	1,445,413
Mexico (Note C) .....	Peso	12.50	275,246,869	22,019,750			275,246,869	22,019,750
Nicaragua .....	Cordoba	7.00	8,783,528	1,254,790			8,783,528	1,254,790
Panama .....	Balboa	1.00	56,556	56,556	1,228,000	1,228,000	1,284,556	1,284,556
Paraguay .....	Guarani	122.00	82,385,068	675,287	109,068,000	894,000	191,453,068	1,569,287
Paraguay .....	Guarani	126.00	215,739,450	1,712,218			215,739,450	1,712,218
Peru .....	Sol	27.65	1,076,880	38,946			1,076,880	38,946
Peru .....	Sol	26.99			129,941,226	4,815,045	129,941,226	4,815,045
United States .....	Dollar	1.00	362,868	362,868	75,000,000	75,000,000	75,362,868	75,362,868
United States (Note E) .....	Dollar	1.00	757,902	757,902	748,000,000	748,000,000	748,757,902	748,757,902
Uruguay .....	Peso	55.00	1,968,606	35,793	239,937,500	4,362,500	241,906,106	4,398,293
Venezuela .....	Bolivar	4.50	453,194	100,710	92,119,352	20,470,967	92,572,546	20,571,677
Total expressed in United States dollars .....				\$91,899,701		\$898,781,174		\$990,680,875

(1) See Appendix II-7, Notes A, B and D.

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1966

APPENDIX H-7

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NOTE A

Amounts in member currencies other than United States dollars have been translated into United States dollars at the rates at which the amounts were received or loaned by the Bank, except for the undisbursed balances and accrued charges on certain loans denominated in member currencies other than United States dollars which have been translated into United States dollars at the approximate market rates of exchange existing at December 31, 1966. No representation is made that any of such currencies is convertible into any other of such currencies at any rate or rates.

## NOTE B

In accordance with Article V, Section 3 of the Agreement Establishing the Bank (Agreement), each member is required, if the par value of its currency is reduced or if the foreign exchange of its currency depreciates to a significant extent, to pay to the Bank (Fund for Special Operations) an additional amount of its own currency sufficient to maintain the value of all the currency of the member held in the Fund, excepting currency derived from borrowings by the Fund; likewise the Bank (Fund for Special Operations) is required, if the par value of a member's currency is increased or the foreign exchange value of such member's currency has appreciated to a significant extent, to pay to such member an amount of its currency equal to the increase in value of such member's currency which is held in the Fund, excepting currency derived from borrowings by the Fund. The standard of value for these purposes shall be the United States dollar of the weight and fineness in effect on January 1, 1959.

## NOTE C

In accordance with the provisions of Article V, Section 1 of the Agreement the use of these funds by the Fund or any recipient from the Fund has been restricted by the members to making payments for goods and services produced in their territories.

## NOTE D

The original authorized contribution quotas of the Fund were \$150,000,000 in terms of United States dollars of the weight and fineness in effect on January 1, 1959.

In January 1964 the Board of Governors approved an increase of 50% in the authorized contribution quotas of members. All member countries have subscribed and paid the increase in their contribution quotas in full. The original and increased contribution quotas have been paid 50% in gold and/or United States dollars and 50% in the currency of the respective member except that non-negotiable, non-interest-bearing demand obligations have been accepted, as permitted under the provisions of Article V, Section 4 of the Agreement, in lieu of part of the payment required to be made in the member's currency.

On March 31, 1965 the Board of Governors approved an increase in the equivalent of US \$900 million in the resources of the Fund for Special Operations. The resolution approving the increase provided that the additional contributions shall be paid by the members in their respective currencies in three equal annual installments. As of December 31, 1966 all member countries had paid their respective installments in full. In accordance with the provisions of Article V, Section 4, non-negotiable, non-interest-bearing demand obligations have been accepted when requested by the member, in lieu of actual payment in the member's currency. The resolution of the Board of Governors relating to the increase in the resources of the Fund for Special Operations specifies that the Bank shall include in the operations of the Fund financing for social development purposes, including those heretofore financed through the Social Progress Trust Fund taking into consideration the financing policies which have guided the operations of the Social Progress Trust Fund.

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## FUND FOR SPECIAL OPERATIONS

## NOTE E

In accordance with the provisions of Article V, Section 1 of the Agreement the United States has specified that the \$750,000,000 made available as of December 31, 1966 under its increased contribution to the Fund for Special Operations shall be restricted to making payments for the purchase of goods or services from the United States, or for the acquisition of goods or services of local origin in the country in which the project is located. The United States has specified also that the funds may be used for the acquisition of goods or services produced in other countries which are members of the Bank if in the judgment of the Bank such transactions would be advantageous to the recipient. With respect to the use of funds for purchases in the countries where the projects are located the related dollars are disbursed under a special letter of credit procedure whereby the equivalent in local currency is provided to the borrowers for use under the loan contract and the dollars are utilized to purchase goods and services from the United States for export to the respective countries.

At the request of the Bank special letters of credit have been opened by commercial banks in the United States in favor of certain banks in member countries which have been designated to advance local currencies to borrowers. Advances have been made to borrowers by several banks in member countries upon receipt of advices that the relative special letters of credit had been opened without corresponding disbursements by the Bank to the appropriate commercial banks in the United States. Under the terms of the loan agreements these advances have been charged to the respective loans. As of December 31, 1966, the Bank is liable for \$4,000,287 of these advances made under the special letter of credit procedure.

## NOTE F

In making decisions concerning operations of the Fund, the number of votes and percent of total vote for each member are the same as shown on Page 00, Appendix I-5 to the financial statements of the Ordinary Capital. All such decisions shall be adopted by at least a two-thirds majority of the total voting power.

## NOTE G

Article III, Section 3 (b) of the Agreement provides: "Expenses pertaining directly to ordinary operations shall be charged to the ordinary capital resources of the Bank. Expenses pertaining directly to special operations shall be charged to the resources of the Fund [for Special Operations]. Other expenses shall be charged as the Bank determines". For each of the years ended December 31, through 1966 expenses which have been deemed to be not identifiable as pertaining directly to either the Ordinary Capital or the Fund for Special Operations have been distributed pursuant to the decisions of the Board of Executive Directors. Expenses during 1965 and 1966 which have been deemed to be not identifiable as pertaining directly to either the Ordinary Capital or the Fund for Special Operations have been charged 77% to the income of the Ordinary Capital and 23% to the income of the Fund for Special Operations.

In 1964 the Bank purchased the twelve story building in Washington, D. C. in which its principal offices are located. The cost of the land and building less the reserve for depreciation is included in the assets of the Ordinary Capital of the Bank. Monthly depreciation charges have been made under the allocation formula specified by the Board of Executive Directors; accordingly, a charge equivalent to depreciation has been made against the income of the Fund for Special Operations.

## NOTE H

Pursuant to actions of the Board of Governors the excess of expenditures or income of the Fund for Special Operations, after deduction of technical assistance expenditures, has been allocated to a general reserve for possible future losses and the future net income less technical assistance expenditures of the Fund will, until further action by the Board of Governors, be allocated automatically to such reserve each year.

## NOTE I

Under the provisions of Article VI of the Agreement the Bank may, at the request of any member or members or of private firms that may obtain loans from it, provide technical advice and assistance.

At December 31, 1966 the amounts approved by the Bank for expenditures in the future for technical assistance projects were \$1,426,353. Pursuant to resolutions passed by the Board of Executive Directors all technical assistance expenditures after January 1, 1963 are to be charged first to the net income of the Fund for Special Operations, including such income accumulated in the general reserve of that Fund, and thereafter to the net income of the Ordinary Capital.

The accumulated technical assistance expenditures made by the Fund as of December 31, 1966 include \$65,700 which may be reimbursed to the Fund if loans are granted as a result of the technical assistance projects.

## NOTE J

In December 1964 the Board of Executive Directors approved a resolution which authorized the creation, as a dependency of the Bank, of the Institute for Latin American Integration to study the various economic, technical, legal and institutional measures required to strengthen the process of Latin American integration and to provide training in this field. The resolution specified that the Institute be located in Buenos Aires, Argentina and authorized the President of the Bank to enter, in the name and on behalf of the Bank, into the necessary agreements to finance the expenses of installation and operation of the Institute. The resolution also authorized contribution of up to \$465,000 to be made through the technical assistance operations of the Bank—Fund for Special Operations as the Bank's share of such expenses. By separate resolution the Board of Executive Directors authorized contribution of up to \$465,000 to be made through the technical assistance operations of the Social Progress Trust Fund, which is administered by the Bank. The resolutions provided that each of the contributions should be paid in four annual installments; the first of up to \$106,000 in 1965 and the remaining three of up to \$119,000 each in 1966 through 1968.

The Institute was established in 1965 and began its operations in Buenos Aires in the offices provided for its headquarters by the Government of Argentina as part of that country's contribution to the Institute. As a further contribution toward the operation of the Institute, the Government of Argentina has agreed to provide the funds necessary to cover the expenses of maintenance of the offices and the annual salaries and related expenses of local administrative personnel of the Institute.

In addition to the contributions agreed to be made by the Bank—Fund for Special Operations, the United States through the Social Progress Trust Fund and Argentina, contributions totalling \$132,000 have been specified for seventeen members of the Bank for each of the years 1965 through 1968. The contributions by member countries to finance the operations of the Institute are not considered to be contributions to the resources of the Bank.

The Institute maintains financial records and books of account separate from those maintained by the Bank and is subject to a separate accounting. Accordingly the assets, liabilities and results of operations of the Institute are not included in the accompanying financial statements. The Bank—Fund for Special Operations, however, handles certain transactions for the Institute and during 1966 received \$379,000 in behalf of the Institute from the following sources: \$119,000 of its own funds transferred to funds held in trust as the Bank's 1966 contribution, \$119,000 paid by the Social Progress Trust Fund as its 1966 contribution and \$141,000 paid by seventeen members of the Bank, not including Argentina and the United States, as their 1966 contributions. Of the amounts held as of January 1, 1966 plus the additional amounts received in behalf of the Institute in 1966, the Bank in 1966 disbursed directly to the Institute or in its behalf \$406,755 and the remaining \$21,680 is held for the Institute at December 31, 1966 and is included in the accompanying financial statements as funds held in trust.

## NOTE K

In accordance with the loan contracts borrowers have agreed to special charges to cover costs of extraordinary supervision and inspection services performed in connection with projects financed under the loans. Beginning in 1966 the Bank established a special fund in each of the separate windows of the Bank (Ordinary Capital, Fund for Special Operations and Social Progress Trust Fund) to accumulate the amounts charged under the special provisions of the loans. Each loan is charged pursuant to the contract and the offsetting credit is accumulated in an account called "Fund for special supervision and inspection of loans" (Fund). Expenses associated with supervision and inspection of these loans which are over and above those normally and routinely performed by the Bank are charged each month to the Fund. There follows a summary of the transactions in the Fund (Fund for Special Operations) in the year ended December 31, 1966:

Charges against loans	\$42,285
Expenses incurred in special supervision and inspection of loan projects	42,285
	<u>          </u>
Unexpended balance December 31, 1966	<u>— 0 —</u>

**FUND FOR SPECIAL OPERATIONS**  
**Statement of Loans as of Dec. 31, 1966**

Country and Borrower (Guarantor)	Purpose (Project Cost)	Program Achieved	Currency	Amount	Disbursed	Status of Loans Repaid	Outstanding	Approved (Signed)	Interest (Maturity)
<b>ARGENTINA</b>									
Republic of Argentina Public entity	Technical assistance for preparation of development projects and plans (\$2,753,000)	Advisory services provided; new loan for new phase approved	Pesos U.S. dollars Total in U.S. dollars	25,000,000 500,000 845,884	25,000,000 455,240 662,124	25,000,000 455,240 662,124	25,000,000 455,240 662,124	2/29/62 (6/29/62)	4% (1967-70)
Provincia de Rio Negro Public entity	Development and colonization of an agricultural project in the lower Vinuesa Valley. Province of Rio Negro (\$9,600,000)	Construction of main and secondary irrigation canals to be initiated shortly; agricultural studies under preparation; experimental station almost completed	Pesos <sup>1</sup> U.S. dollars Total in U.S. dollars	2,845,000 2,683,000 5,528,000	366,907 106,294 473,191	366,907 106,294 473,191	366,907 106,294 473,191	7/31/62 (6/10/63)	4% (1964-83)
Minera y Siderurgica Patagonica Sierra Grande, S.A. (Cordero Industriaria Argentina de Aceros, S.A.; Minera Alumina, S.A. and S.E.T., Sociedad de Responsabilidad Limitada) Private entity	Preinvestment studies for the establishment of a steel complex in the Provincia de Rio Negro (\$1,050,000)	Final feasibility study ready to be initiated	U.S. dollars	204,244	144,244	144,244	133,420	4/8/64 (6/7/64)	5% <sup>1</sup> (1965-71)
Administracion General de Obras Sanitarias de la Nación (Republic of Argentina) Public entity	Expansion of water supply system in Buenos Aires suburbs of Inesistable and Lomas (\$3,811,000)	Project under construction	Pesos <sup>1</sup>	2,000,000				7/20/64 (10/7/64)	4% (1965-83)
Administracion General de Obras Sanitarias de la Nación (Republic of Argentina) Public entity	Improvement of water systems of Buenos Aires, San Miguel de Tucuman, San Salvador de Jujuy, Cordoba and Mendoza (\$45,700,000)		Pesos <sup>1</sup> U.S. dollars Total in U.S. dollars	6,500,000 12,000,000 18,500,000				12/9/65 (6/10/66)	2 1/4% <sup>1</sup> (1974-80)
Republic of Argentina Public entity	Continuation of technical assistance for studies of development projects and plans (\$500,000)		U.S. dollars	400,000				12/16/65 (6/20/66)	3 1/4% <sup>1</sup> (1965-70)
Republic of Argentina Public entity	Completion of a Hospital-School to improve teaching and research in medical sciences at University of Buenos Aires (\$11,500,000)		Pesos <sup>1</sup> U.S. dollars Total in U.S. dollars	700,000 3,600,000 3,800,000				4/24/66 (6/10/66)	2 1/4% <sup>1</sup> (1974-80)
Republic of Argentina Public entity	Improvement in teaching and research in zoological sciences in Buenos Aires (\$1,400,000)		U.S. dollars	1,000,000				4/24/66 (6/13/66)	2 1/4% <sup>1</sup> (1974-80)

Republic of Argentina Public entity	Establishment of pre-investment fund for the preparation of specific projects and general studies (\$6,450,000)	Press 1 U.S. dollars Total in U.S. dollars	1,000,000 3,900,000 4,900,000	9/15/66	3 1/2 % (1970-82)
Municipalidad de la Ciudad de Buenos Aires (Republic of Argentina) Public entity	Construction of 6,600 housing units and respective services as part of an urban renewal project in Buenos Aires (\$12,170,000)	Press 1 U.S. dollars Total in U.S. dollars	1,800,000 10,400,000 12,200,000	11/9/66	2 1/4 % (1971-80)
<b>TOTAL LOANS TO ARGENTINA EXPRESSED IN U.S. DOLLARS</b>					
Less: Participations			48,578,128		
Net total loans to Argentina expressed in U.S. dollars			1,273,559 67,740 48,510,388	14,024 1,208,235 14,024	
			1,953,819	1,140,585	
<b>BOLIVIA</b>					
Corporación Minera de Bolivia (Banco Central de Bolivia) Public entity	Industrial, agricultural and electric power credits (\$10,000,000)	U.S. dollars	10,000,000	2,069,478	4 1/2 % (1964-74)
	66 industrial credits for \$2,550,024, 137 agricultural credits for \$1,955,270, and 17 mining credits for \$1,185,303 authorized; \$2,279,557 in loans for electric power projects approved		10,000,000	7,900,522	5/11/61
Corporación Minera de Bolivia (Banco Central de Bolivia) Public entity	First phase of project to rehabilitate Bolivia's tin mines (\$25,350,000)	U.S. dollars	4,500,000	1,285,714	4 % (1965-71)
Banco Agrícola de Bolivia (Banco Central de Bolivia) Public entity	Agricultural credits for farm settlement projects in the departments of Cochabamba, Santa Cruz and La Paz (\$6,129,000)	U.S. dollars	2,600,000	185,325	4 % (1968-80)
Corporación Minera de Bolivia (Banco Central de Bolivia) Public entity	Second phase of project to rehabilitate Bolivia's tin mines (\$18,040,000)	Press 1 U.S. dollars Total in U.S. dollars	400,000 4,460,000 4,860,000	52,532 592,153 644,685	4 % (1967-79)
Corporación Minera de Bolivia (Banco Central de Bolivia) Public entity	Second phase virtually completed		383,989	341,657	
			4,439,062	3,846,809	
			4,823,051	4,188,268	
República de Bolivia Public entity	Agricultural credits to support rural development loans (\$1,567,000)	U.S. dollars	1,100,000	100,000	4 % (1966-79)
República de Bolivia Public entity	Construction of first stage of 27,000-horsepower hydroelectric plant of Orinoco with transmission and distribution facilities (\$15,500,000)	Press 1 U.S. dollars Total in U.S. dollars	400,000 3,100,000 3,500,000	369,903 2,001,461 2,401,364	4 % (1968-80)
	Project virtually completed		369,903	389,903	
			2,001,461	772,641	
			2,401,364	772,641	
Universidad Mayor de San Simón (Republic of Bolivia) Public entity	Academic and administrative improvements in teaching agricultural sciences in Cochabamba (\$250,000)	Press 1 U.S. dollars Total in U.S. dollars	128,000 372,000 500,000	128,000 372,000	2 1/4 % (1969-80)



FUND FOR SPECIAL OPERATIONS  
Statement of Loans as of Dec. 31, 1968

Country and Borrower (Summary)	Purpose (Project Code)	Program Administ.	Currency	Amount	Balance	Status of Loans (Unpaid)	Approved (Original)	Interest (Annual)
<b>BOLIVIA (Cont'd.)</b>								
Universidad Técnica de Oruro (Republic of Bolivia) Public entity	Academic and administrative improvements College of Engineering in Oruro (8500.000)	Some equipment and technical assistance provided	Pesos <sup>1</sup> U.S. dollars Total in U.S. dollars	161,000 239,000 400,000	6,450 43,550 50,000	6,450 43,550 50,000	12/21/65 (4/1/66) (1963-66)	24% <sup>a</sup> (1963-66)
Universidad Autónoma Gabriel René Moreno (Republic of Bolivia) Public entity	Academic and administrative improvements College of Veterinary Medicine in Santa Cruz (8500.000)		Pesos <sup>1</sup> U.S. dollars Total in U.S. dollars	146,000 254,000 400,000			12/21/65 (4/1/66) (1963-66)	24% <sup>a</sup> (1963-66)
Corporación Minera de Bolivia (Banco Central de Bolivia) Public entity	Third stage of project to rehabilitate Bolivia's tin mines (\$10,000,000)	Third stage well advanced; across being placed on exploration of new ore sources	Pesos <sup>1</sup> U.S. dollars Total in U.S. dollars	41,000 2,459,000 2,500,000	28,513 784,864 813,377	28,513 784,864 813,377	2/10/66 (3/11/66) (1963-79)	34% <sup>a</sup> (1963-79)
Fábrica Nacional de Cemento, S.A. (Corporación Boliviana de Fomento) Public entity	Expansion of cement plant in Sucre (\$780,000)		U.S. dollars	500,000			6/23/66 (9/7/66) (1963-61)	34% <sup>a</sup> (1963-61)
Banco Industrial, S.A. (Banco Central de Bolivia) Private entity	Industrial credits (\$1,500,000)		U.S. dollars	1,000,000			6/23/66 (7/29/66) (1970-61)	34% <sup>a</sup> (1970-61)
Republic of Bolivia Public entity	Establishment of permanent fund for the preparation of specific projects and general studies (\$2,150,000)		Pesos <sup>1</sup> U.S. dollars Total in U.S. dollars	400,000 1,700,000 2,100,000			9/1/66 (3/30/66) (1970-62)	34% <sup>a</sup> (1970-62)
Corporación Boliviana de Fomento (Republic of Bolivia) Public entity	Industrial and mining credits (\$17,258,000)		Pesos <sup>1</sup> U.S. dollars Total in U.S. dollars	2,000,000 8,800,000 10,800,000			11/10/66 (1971-62)	34% <sup>a</sup> (1971-62)
<b>TOTAL LOANS TO BOLIVIA EXPRESSED IN U.S. DOLLARS</b>				44,750,000	22,853,017	4,029,877	18,823,140	
<b>BRAZIL</b>								
Banco de Nordeste de Brasil (Republic of Brazil) Public entity	Industrial credits for Brazil's Northeast (\$20,000,000)	36 credits for \$3,721,000 authorized	U.S. dollars	10,000,000	6,590,637	861,813	4/9/61 (8/2/61) (1965-77)	44% <sup>a</sup> (1965-77)
Fundação Comissão de Planejamento Econômico de São Paulo (State of São Paulo) Public entity	Preparation of specific industrial, infrastructure and social projects in State of São Paulo (\$310,000)	Studies on 6 projects concluded	Cruzeiros <sup>1</sup>	135,033	135,033	52,167	2/21/62 (6/9/62) (1964-70)	4% <sup>a</sup> (1964-70)
Banco de Estado de São Paulo, S.A. (State of São Paulo) Public entity	Expansion and improvement in the water system of Rio de Janeiro (\$25,000,000)	Project 80% complete	Cruzeiros <sup>1</sup> U.S. dollars Total in U.S. dollars	2,500,000 2,500,000 8,823,961	2,500,000 2,500,000 8,823,961	2,500,000 2,500,000 11,257,961	3/13/62 (6/9/62) (1967-69)	4% <sup>a</sup> (1967-69)

Departamento Municipal de Agua e Esgotos (Banco do Estado de Rio Grande do Sul) Public entity	Expansion and improvement in water and sewage system of Porto Alegre (\$5,372,000)	Project nearly half complete	Cruzeiros <sup>1</sup> U.S. dollars Total in U.S. dollars	1,590,000 1,119,517 1,650,000 183,897 3,150,000 1,283,214	1,119,517 163,897 1,283,214	12/19/63 (9/17/64)	4% (1968-69)
Banco do Estado de Guanabara S.A. (State of Guanabara) Public entity	Expansion and improvement in water system of Rio de Janeiro (\$12,484,000)	Project 80% complete	Cruzeiros <sup>1</sup> U.S. dollars Total in U.S. dollars	3,000,000 2,498,637 4,000,000 1,613,017 7,000,000 4,112,654	2,498,637 1,613,017 4,112,654	12/24/64 (12/31/64)	4% (1968-69)
Usina Siderurgica de Bahia S.A. (United States of Brazil) Public entity	Feasibility study for construction of steel mill at Salvador, Bahia, in Brazil's Northeast (\$392,000)	Study nearly complete	U.S. dollars	200,000	120,000	7/1/65 (12/1/65)	4% (1968-72)
United States of Brazil Public entity	Establishment of preinvestment fund for the preparation of specific projects and general studies (\$7,500,000)		Cruzeiros <sup>1</sup> U.S. dollars Total in U.S. dollars	1,500,000 3,500,000 5,000,000		9/27/65 (10/1/65)	4% <sup>a</sup> (1970-80)
United States of Brazil Public entity	Agricultural credits (\$40,500,000)		Cruzeiros <sup>1</sup> U.S. dollars Total in U.S. dollars	3,000,000 17,500,000 20,500,000		12/9/65 (4/1/66)	2 1/2% <sup>a</sup> (1969-80)
Departamento Nacional de Estradas de Rodagem (United States of Brazil) Public entity	Construction of 411 miles of highway between Port of Paranaguá and Foz de Iguaçu on Paraguayan border (\$40,000,000)	Project 45% complete	Cruzeiros <sup>1</sup> U.S. dollars Total in U.S. dollars	4,000,000 16,000,000 2,055,000 20,000,000 5,335,000	3,500,000 2,055,000 5,335,000	12/21/65 (4/1/66)	3 1/2% <sup>a</sup> (1969-80)
Departamento Nacional de Portos e Via Navegantes (United States of Brazil) Public entity	Improvement in port installations at Paranaguá (\$11,800,000)		U.S. dollars	5,640,000		12/21/65 (4/1/66)	3 1/2% <sup>a</sup> (1969-80)
United States of Brazil Public entity	Improvement of water system of Salvador and water supply projects for 200 other Brazilian communities (\$23,300,000)		Cruzeiros <sup>1</sup> U.S. dollars Total in U.S. dollars	3,100,000 11,900,000 15,000,000		12/21/65 (7/26/66)	2 1/2% <sup>a</sup> (1971-80)
Banco Nacional de Habitação (United States of Brazil) Public entity	Construction of 12,700 housing units: 40 Brazilian communities (\$44,000,000)		Cruzeiros <sup>1</sup> U.S. dollars Total in U.S. dollars	5,000,000 15,000,000 20,000,000		8/4/66 (10/10/66)	2 1/2% <sup>a</sup> (1970-80)
Companhia Hidro Elétrica de São Francisco (United States of Brazil) Public entity	Expansion of Paulo Afonso hydroelectric plant by 300,000 kilowatts and related facilities in Brazil's Northeast (\$20,170,000)	First stage being carried out with ordinary capital resources loan	Cruzeiros <sup>1</sup> U.S. dollars Total in U.S. dollars	3,600,000 5,500,000 9,100,000		8/25/66 (11/2/66)	3 1/2% <sup>a</sup> (1972-80)
Banco do Nordeste do Brasil (United States of Brazil) Public entity	Expansion of water supply systems in Northeast cities of Aracaju, Fortaleza and Juazeiro (\$25,900,000)		Cruzeiros <sup>1</sup> U.S. dollars Total in U.S. dollars	3,000,000 11,450,000 14,450,000		11/29/66	2 1/2% <sup>a</sup> (1971-80)

## FUND FOR SPECIAL OPERATIONS

Statement of Loans as of Dec. 31, 1966

Country and Borrower (Borrower)	Project (Project Title)	Progress Achieved	Currency	Amount	Share of Loans Repaid	Outstanding	Approved (Signed)	Interest (Annual)
<b>BRAZIL (Cont'd.)</b>								
Departamento Municipal de Aguas e Esgotos de Belo Horizonte (Cidade Econômica do Estado de Minas Gerais and State of Minas Gerais) Public utility	Expansion of water system of Belo Horizonte (\$25,170,000)		Crossin's <sup>1</sup> U.S. dollars	4,000,000			12/22/66	3 1/2% (197-46)
			Total in U.S. dollars	12,000,000				
Banco do Nordeste do Brasil S.A. (United States of Brazil) Public utility	Industrial credits for Brazil's Northeast (\$24,000,000)		Crossin's <sup>1</sup> U.S. dollars	50,000			12/26/66	3 1/2% (197-44)
			Total in U.S. dollars	5,950,000				
				6,000,000				
<b>TOTAL LOANS TO BRAZIL EXPRESSED IN U.S. DOLLARS</b>				159,675,633	23,101,069	913,180	28,187,919	
<b>CHILE</b>								
Corporación de Fomento de la Provincia Public utility	Reinvestment in 8 projects in South-Central Chile (\$13,860,000)	34 houses built, 275 in construction; 617 farm structures built; 90% of project's fences and 20% of its access roads in- stalled	Escudos U.S. dollars	1,470,000	1,470,000	52,040	12/21/61	4% (1966-79)
			Total in U.S. dollars	5,457,700	5,722,653	82,362	5/27/62	
				6,265,503	3,830,355	104,882	3,726,093	
Corporación de Fomento de la Provincia Corporación de la Reforma Agraria Public utility	Technical assistance for above reinvestment project (\$285,000)	Assistance provided	U.S. dollars	285,000	107,600	30,743	12/21/61	4% (1965-69)
							5/27/62	
Corporación de Fomento de la Provincia Public utility	Aerophotogrammetric survey in Central Chile (\$5,360,000)	Project completed	U.S. dollars	2,100,000	221,053	1,879,947	10/18/62	4% (1966-79)
							(12/20/62)	
Corporación de Fomento de la Provincia Public utility	Establishment of preinvestment fund for the preparation of specific projects and general studies (\$4,500,000)	Program in initial phase	Escudos <sup>1</sup> U.S. dollars	1,000,000	145,434	145,434	8/12/65	4% (1966-69)
			Total in U.S. dollars	1,910,000	154,566	154,566	(11/26/65)	
				3,680,000	360,000	360,000		
Ministerio de Construcción Corporación de Fomento de la Provincia Private utility	Buildings and other improve- ments for Schools of Educa- tion and Socialism in Concepción (\$2,300,000)	Construction initiated	Escudos <sup>1</sup> U.S. dollars	450,000	38,000	38,000	11/14/65	3 1/2% (1970-68)
			Total in U.S. dollars	780,000	7,000	7,000	(1/29/66)	
				1,290,000	37,000	37,000		
<b>Republic of Chile</b>				16,000,000			12/14/66	3 1/2% (1970-68)
			U.S. dollars				6/25/66	

Project	Description	Construction initiated	Escudo <sup>1</sup>		U.S. dollars		1/6/66 (6/20/66)	2 1/4 % <sup>+</sup> (1970-81)
			U.S. dollars	Total in U.S. dollars	U.S. dollars	Total in U.S. dollars		
Universidad Técnica Federico Santa María (Corporación de Fomento de la Producción) Private entity	Buildings and other improvements at technological university in Valparaíso (\$1,100,000)		900,000		139,920	139,920		
Corporación de Servicios Habitacionales (Republic of Chile) Public entity	Construction of 10,200 housing units in 75 communities (\$24,000,000)		3,050,000				4/24/66 (10/6/66)	2 1/4 % <sup>+</sup> (1969-80)
			9,000,000					
				Total in U.S. dollars	12,050,000			
Universidad de Chile (Corporación de Fomento de la Producción) Public entity	Improvements in teaching agricultural sciences at University of Chile in Santiago (\$6,400,000)		2,200,000				5/12/66 (10/11/66)	2 1/4 % <sup>+</sup> (1970-81)
			2,800,000					
				Total in U.S. dollars	5,000,000			
República de Chile Public entity	Construction on 127 miles of the Chilean section of Trans-Andean highway between Valparaiso, Chile, and Mendoza, Argentina (\$27,900,000)	About 20% of the project carried out	1,500,000	1,000,000	1,000,000		6/16/66 (10/6/66)	3 1/4 % <sup>+</sup> (1971-80)
			13,500,000	2,000,000	2,000,000			
				Total in U.S. dollars	3,000,000			
Instituto de Desarrollo Agropecuario (Corporación de Fomento de la Producción) Public entity	Agricultural credits (\$53,610,000)	657 credits for 4,153,256 escudos extended	2,500,000	1,100,000	1,100,000		9/15/66 (10/6/66)	2 1/4 % <sup>+</sup> (1969-80)
			8,500,000					
				Total in U.S. dollars	1,100,000			
TOTAL LOANS TO CHILE EXPRESSED IN U.S. DOLLARS								
Less: Participations			73,880,500	10,615,475	366,650	10,258,817		
Net total loans to Chile expressed in U.S. dollars			683,150	683,150	221,063	442,105		
			73,217,505	9,952,317	135,065	9,816,712		
COLOMBIA								
Corporación Autónoma Regional de los Valles del Magdalena y del San José (Republic of Colombia) Public entity	Improvement studies for development of San José water shed (\$1,500,000)	Some 65% of studies carried out	3,300,000	2,305,863	255,014	2,050,849	5/11/62 (7/17/62)	4 % (1962-71)
			500,000	55,002	7,792	46,300		
				Total in U.S. dollars	31,713	223,336		
Instituto Nacional de Fomento Municipal (Republic of Colombia) Public entity	Construction of first stage of projects to build water and sewage systems in 357 communities (\$5,600,000)	140 projects under construction; 65% completed	1,000,000	537,124	537,124	537,124	7/12/62 (8/21/62)	4 % (1967-80)
			1,500,000	813,777	813,777	813,777		
				Total in U.S. dollars	1,350,901			
Empresas Públicas de Medellín (Republic of Colombia) Public entity	Second stage in project to expand water system of Medellín (\$7,950,000)	Project entering final phases of construction	800,000	547,215	547,215	547,215	4/15/65 (9/20/65)	4 % <sup>+</sup> (1970-80)
			3,950,000	1,116,815	1,116,815	1,116,815		
				Total in U.S. dollars	1,664,030			
Establecimiento Público Empresas Municipales de Cali (Republic of Colombia) Public entity	Expansion of electric power distribution system of Cali (\$6,253,000)	Project under construction	3,300,000	300,554	300,554	300,554	10/21/65 (4/19/66)	3 1/4 % <sup>+</sup> (1969-81)
Universidad de los Andes (Republic of Colombia) Private entity	Expansion and improvements of the School of Engineering of the Universidad de los Andes in Bogotá (\$1,500,000)		470,000				12/16/65 (9/4/66)	2 1/4 % <sup>+</sup> (1970-80)
			530,000					
				Total in U.S. dollars	1,000,000			

**FUND FOR SPECIAL OPERATIONS**  
**Statement of Loans as of Dec. 31, 1966**

Country and Borrower (Borrower)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Status of Loans (Unrepaid)	Outstanding	Interest (Maturity)	Interest (Maturity)
<b>COLUMBIA (Cont'd)</b>								
Instituto Colombiano de la Reforma Agraria (Republic of Colombia)	Execution of two irrigation and farm settlement projects —one near Cartagena, the other north of Cali (\$22,532,000)		Pesos <sup>1</sup> U.S. dollars	4,300,000 5,400,000			4/24/66 (11/1/66)	2 1/4 % (1969-71)
Public entity			Total in U.S. dollars	9,700,000				
Universidad de Antioquia (Republic of Colombia)	Construction of new university campus in Medellin (\$9,650,000)		Pesos <sup>1</sup> U.S. dollars	1,600,000 3,200,000			7/21/66 (10/25/66)	2 1/4 % (1971-66)
Public entity			Total in U.S. dollars	5,300,000				
Universidad Nacional de Colombia (Republic of Colombia)	Improvement of facilities at campuses at Bogota, Medellin, Manizales and Palmira (\$16,400,000)		Pesos <sup>1</sup> U.S. dollars	3,200,000 4,500,000			12/9/66	2 1/4 % (1971-66)
Public entity			Total in U.S. dollars	7,700,000				
<b>TOTAL LOANS TO COLUMBIA EXPRESSED IN U.S. DOLLARS</b>								
Loans Participations				34,065,103	3,571,964	33,175	3,536,421	
Net total loans to Colombia expressed in U.S. dollars				115,394	115,394	30,179	3,420,427	
<b>COSTA RICA</b>								
Banco Nacional de Costa Rica Public entity	Credits for agricultural cooperatives (\$2,000,000)	Credits totaling \$37,749 outstanding to 6 cooperatives	U.S. dollars	1,000,000	423,006	423,006	4/4/63 (5/15/64)	4 % (1967-66)
Banco Nacional de Costa Rica (Republic of Costa Rica)	Credits to rehabilitate farms damaged by Irazu Volcano and other areas (\$11,972,000)	8 credits for 1,468,020 colonies approved	Colonias <sup>1</sup> U.S. dollars	400,000 4,800,000	300,000 200,000	300,000 200,000	8/26/65 (11/25/66)	4 % (1974-66)
Public entity			Total in U.S. dollars	5,380,006	500,000	500,000		
Servicio Nacional de Asesorias y Asesoramiento (Republic of Costa Rica)	Construction — improvements of 60 rural and 2 urban water systems (\$2,306,000)	7 systems (including 11 under construction)	Colonias <sup>1</sup> U.S. dollars	70,000 1,250,000	70,000 15,500	70,000 15,500	10/21/65 (12/1/66)	2 1/4 % (1966-66)
Public entity			Total in U.S. dollars	1,365,006	85,500	85,500		
Banco de Costa Rica (Republic of Costa Rica)	Industrial credits (\$3,771,000)		U.S. dollars	2,300,000			12/21/65 (6/4/66)	2 1/4 % (1970-62)
Public entity								
Banco Nacional de Costa Rica Public entity	Unrepaid credits (\$200,000)	20 credits for \$257,623 within total	Colonias <sup>1</sup>	400,000	92,070	92,070	8/27/65 (10/29/66)	3 1/4 % (1966-74)
				16,100,000	1,105,006		1,105,006	
<b>TOTAL LOANS TO COSTA RICA EXPRESSED IN U.S. DOLLARS</b>								

TOTAL LOANS TO COLUMBIA EXPRESSED IN U.S. DOLLARS

DOMINICAN REPUBLIC		3 credits approved for \$210,985 Recommendations being imple- mented	Pases 1 U.S. dollars Total in U.S. dollars	4/15/66 (5/19/66)	4% * (1974-81)
case	Banco Central de la Republica Domini-	Industrial credits \$110,000,000	150,000 4,850,000 5,000,000		
Public entity					
Corporate/ Ancutera Dominicana	Technical assistance to carry out improvements in opera-		72,000 168,000 240,000	71,849 167,651 239,500	34% * (1965-74)
Public entity	tions of state sugar corpora- tion (\$543,000)				
TOTAL LOANS TO DOMINICAN REPUBLIC EXPRESSED IN U.S. DOLLARS			5,240,000	239,500	
EL SALVADOR					
Banco Nacional de Fomento	Credits for oil palm cultivation area of Santa Domingo de las Coloradas (\$344,000)	13 credits for \$892,695 author- ized	275,000 1,090,000 1,365,000	275,000 505,576 779,576	5% (1964-74)
Public entity					
Banco Nacional de Fomento	Technical assistance for ad- ministrative and accounting improvements of development bank (\$187,000)	Project completed	96,892	96,892	4% (1964-69)
Public entity					
Banco Nacional de Fomento	Industrial and agricultural credits \$110,000,000	49 industrial credits for \$8,277,339 and 985 agriculture credits for \$8,278,795 authorized	6,000,000 5,690,589 11,690,589	4,612,500 448,881	4% (1966-75)
Public entity					
Municipalidad de Quila	Expansion of water system for Quila (\$17,555,000)		1,300,000 10,700,000 12,000,000	714,066 10,721,060	24% * (1974-89)
Public entity					
TOTAL LOANS TO EL SALVADOR EXPRESSED IN U.S. DOLLARS			19,461,892	5,937,457	
EL SALVADOR					
Banco Central de Reserva	Expansion of electric power distribution system for 11 communities (\$225,000)	Project completed 68 miles of transmission lines built	142,317 123,362 182,728	142,317 123,362 182,728	4% (1970-80)
Public entity					
TOTAL LOANS TO EL SALVADOR EXPRESSED IN U.S. DOLLARS			182,728	182,728	
GUATEMALA					
República Nacional de Electrificación	Preinvestment study of elec- tric power project (\$500,000)		300,000	12,511,633 (6/24/64)	4% (1966-71)
Public entity					
República de Guatemala	Preinvestment study for water system of Guatemala City (\$350,000)	Project 90% complete	49,800 185,200 235,000	49,800 146,874 196,674	4% (1967-68)
Public entity					
Banco de Guatemala	Agriculture and industrial credits \$5,333,000		700,000 1,300,000 2,000,000	849,065 1,271,068	24% * (1974-84)
Public entity					

**FUND FOR SPECIAL OPERATIONS**  
**Statement of Loans as of Dec. 31, 1968**

Country and Borrower (Country)	Project (Project Name)	Amount	Guarantee	Interest	Staging of Loans	Original	Revised
						(Original)	(Revised)
<b>GUATEMALA (Guat'G)</b>							
Republic of Guatemala Public entity	Industrial and agricultural credits (\$1,333,000)	800,000	Guatemala 1			8/9/65 (12/1/66)	3/4 1/2 (1979-84)
Republic of Guatemala Public entity	Construction of water supply systems for 100 communities (\$2,100,000)	100,000 1,200,000 1,300,000	Guatemala 1 U.S. dollars Total in U.S. dollars			9/22/65 (9/30/66)	2 1/4 1/2 (1979-80)
Republic of Guatemala Public entity	Construction of 21 access roads 294 miles long and improvements of 14 others 158 miles long (\$14,000,000)	9,000,000	U.S. dollars			12/28/66	3 1/4 1/2 (1971-82)
<b>TOTAL LOANS TO GUATEMALA EXPRESSED IN U.S. DOLLARS</b>		<u>13,655,000</u>	<u>198,674</u>			<u>198,674</u>	
<b>HAITI</b>							
Banque Nationale de la République d'Haïti (Republic of Haiti) Public entity	Agricultural and industrial credits (\$5,000,000)	3,500,000	1,738,729	268,763	1,468,966	4/9/61 (8/17/61)	4% (1965-78)
Banque Nationale de la République d'Haïti (Republic of Haiti) Public entity	Expansion of meter system of Port-au-Prince (\$2,710,000)	190,000 2,170,000 2,360,000	Guarantee 1 U.S. dollars Total in U.S. dollars	50,610 233,390 284,000	50,610 233,390 284,000	3/5/64 (9/1/64)	2% (1972-81)
Banque Nationale de la République d'Haïti (Republic of Haiti) Public entity	Improvements in teaching, agricultural extension and medicine (\$2,700,000)	1,300,000	U.S. dollars			11/17/66	2 1/4 1/2 (1972-87)
<b>TOTAL LOANS TO HAITI EXPRESSED IN U.S. DOLLARS</b>		<u>7,190,000</u>	<u>2,627,729</u>	<u>268,763</u>	<u>1,753,966</u>		
<b>HONDURAS</b>							
Republic of Honduras Public entity	Construction of 5 highways 178 miles long in Barahona Honduras (\$13,590,000)	2,250,000	1,898,114	146,881	1,812,213	5/11/61 (8/11/61)	4% (1966-81)
Republic of Honduras Public entity	Highway and air transportation improvement studies (\$1,000,000)	980,000	818,447	810,447		11/9/61 O/M/62	4% Proposed

Banco Nacional de Fomento (Banco Central de Honduras) Public entity	Agricultural and industrial credits (\$11,635,000)	1,419 agricultural credits and 29 industrial credits authorized	U.S. dollars	6,000,000	6,000,000	150,000	5,000,000	4/12/72 (6/7/62)	4% (1969-70)
Republic of Honduras Public entity	Pulp and paper mill preinvest- ment study (\$200,000)		U.S. dollars	200,000				11/20/64 (7/7/65)	4% (1969-70)
Republic of Honduras Public entity	Construction of 128-mile section of the Northern high- way from Puerto Cortes to Te- paciguala (\$24,500,000)	Project under construction	U.S. dollars	10,130,000	631,297		631,297	3/25/65 (7/22/65)	4% (1971-80)
Republic of Honduras Public entity	Preparation of specific invest- ment projects within nation's development plan (\$545,000)		U.S. dollars	375,000				12/21/65 (6/22/66)	3 1/2% (1969-70)
Instituto de Vivienda (Republic of Honduras) Public entity	Construction of 2,000 housing units in Tegucigalpa (\$4,170,000)	Project initiated	Lempiras <sup>1</sup> U.S. dollars Total in U.S. dollars	500,000 2,225,000 2,725,000	165,000 165,000 165,000		165,000 165,000 165,000	4/7/68 (4/22/69)	3 1/2% (1969-80)
Banco Nacional de Fomento (Banco Central de Honduras) Public entity	Industrial and agricultural credits (\$11,050,000)		Lempiras <sup>1</sup> U.S. dollars Total in U.S. dollars	1,650,000 5,500,000 7,000,000				10/27/66 (12/29/66)	2 1/2% 3 1/2% (1970-80)
TOTAL LOANS TO HONDURAS EXPRESSED IN U.S. DOLLARS									
Less: Participations				29,640,000	9,694,850	1,146,348	8,458,510		
Net total loans to Honduras expressed in U.S. dollars				798,776	348,776	348,776	450,000		
				78,811,295	8,065,082	797,572	8,065,510		
NICARAGUA									
Nacional Financiera, S.A. (United Mexican States) Public entity	Preinvestment studies for the development of the Loma- Chapala-Santiago Basin in West Central Mexico (\$5,000,000)	21 agricultural development projects approved; 31 projects prepared and under consid- eration	Press <sup>1</sup> U.S. dollars Total in U.S. dollars	3,415,000 3,240,445 385,000 3,625,445	3,240,445 321,064 3,561,509		3,240,445 321,064 3,561,509	4/4/63 (9/19/63)	4% (1962-70)
Nacional Financiera, S.A. (United Mexican States) Public entity	Construction of 9 irrigation systems in the Loma-Chapala- Santiago Basin in West Central Mexico (\$19,000,000)	Work initiated on 8 projects	Press <sup>1</sup> U.S. dollars Total in U.S. dollars	500,000 9,300,000 9,800,000	474,571 1,370,003 1,844,574		474,571 1,370,003 1,844,574	10/22/64 (10/26/64)	4% (1969-80)
Asociación Civil Escuelas Investigación Superior de Monterrey Y Genevieve Caudermec, S.A., Hospitala y Loma, S.A., Victoria Monterrey, S.A.) Private entity	Expansion and improvement of a technological institute in Monterrey (\$2,388,000)		U.S. dollars	1,000,000	136,707		136,707	10/21/65 (7/7/66)	3% (1970-80)
Nacional Financiera, S.A. (United Mexican States) Public entity	Construction of improvements of 224 feeder roads 5,500 miles long (\$95,000,000)	Loan being used jointly with ex- ternal resources loan for \$21 million. Project underway	Press <sup>1</sup> U.S. dollars Total in U.S. dollars	8,500,000 24,500,000 33,000,000	454,583 454,583 454,583		454,583 454,583 454,583	12/20/68 (7/7/69)	4% (1971-81)



# SPECIAL OPERATIONS Set of Loans as of Dec. 31, 1965

Country and Borrower (Borrower)	Project Cost	Currency	Approved (\$ million)	Interest (percentage)
<b>MEXICO (Cont'd.)</b>				
Nacional Financiera, S.A. (United Mexican States) Public entity	Irrigation project in El Carrizo Valley in State of Sinaloa (\$22,155,000)	Pesos <sup>1</sup> U.S. dollars Total in U.S. dollars	7.0c 4.0c 11,080	4% <sup>a</sup> (1971-85)
Nacional Financiera, S.A. (United Mexican States) Public entity	Establishment of preinvestment fund for preparation of specific projects and general studies (\$7,275,000)	Pesos <sup>1</sup> U.S. dollars Total in U.S. dollars	3,000.00 2,000.00 5,000.00	4% <sup>a</sup> (1972-84)
<b>TOTAL LOANS TO MEXICO EXPRESSED IN U.S. DOLLARS</b>			383	
<b>NICARAGUA</b>				
Banco Nacional de Nicaragua (Republic of Nicaragua) Public entity	Livestock credits (\$9,600,000)	U.S. dollars	4,500.000	4% <sup>a</sup> (1968-80)
Instituto de Fomento Nacional (Republic of Nicaragua) Public entity	Feasibility studies of specific industrial projects (\$445,000)	Cordobas <sup>1</sup> U.S. dollars Total in U.S. dollars	100,000 100,000 200,000	4% <sup>a</sup> (1968-81)
Republic of Nicaragua Public entity	Construction of 20 access roads 388 miles long (\$17,152,000)	Cordobas <sup>1</sup> U.S. dollars Total in U.S. dollars	350,000 11,650,000 12,000,000	4% <sup>a</sup> (1968-80)
Instituto Agrario de Nicaragua (Republic of Nicaragua) Public entity	Feasibility studies of a project to settle 4,500 farm families on new lands at Riquelme Cabañas in the Department of Zelaya (\$480,000)	Cordobas <sup>1</sup> U.S. dollars Total in U.S. dollars	100,000 200,000 300,000	2 1/4% <sup>a</sup> (1968-70)
Banco Nacional de Nicaragua (Republic of Nicaragua) Public entity	Agricultural credits (\$11,045,000)	Cordobas <sup>1</sup> U.S. dollars Total in U.S. dollars	1,650,000 4,050,000 5,700,000	2 1/4% <sup>a</sup> (1970-87)
<b>TOTAL LOANS TO NICARAGUA EXPRESSED IN U.S. DOLLARS</b>			22,100.000	
<b>PANAMA</b>				
Instituto de Fomento Económico (Republic of Panama) Public entity	Agricultural credits (\$11,112,000)	Bolívares U.S. dollars Total in U.S. dollars	106,000 2,717,000 2,823,000	4% <sup>a</sup> (1968-77)

Republic of Panama Public entity	Feasibility study of an 80-mile highway linking Panozanco and Golón (\$940,000)	Project 40% complete	U.S. dollars	300,000	120,745	14,205	106,540	12/31/63 (6/17/64)	4% (1965-7)
Banco Nacional de Panama (Republic of Panama) Public entity	Industrial credit (\$2,350,000)	31 credits for a total investment of \$1,411,159 authorized	U.S. dollars	1,000,000	503,138		503,138	12/10/64 (7/19/65)	4% (1965-7)
Instituto de Vivienda y Urbanismo (Republic of Panama) Public entity	Construction of 6,000 housing units Panama City, Colon, and other cities (\$12,000,000)	Project initiated; 30 units built; 670 under construction	Belizos <sup>1</sup> U.S. dollars	500,000	183,000		183,000	12/2/65 (10/17/66)	24%+ (1971-6)
Republic of Panama Public entity	Establishment of loan fund for university students and post-graduates (\$1,000,000)	Project being implemented	Total in U.S. dollars	8,500,000	56,286		56,286		
Banco Nacional de Panama (Republic of Panama) Public entity	Credits for development of livestock, port and poultry production (\$3,473,000)		U.S. dollars	9,000,000	235,286		235,286		
Republic of Panama Public entity	Construction of 16 farm-access roads 126 miles long (\$7,050,000)		U.S. dollars	700,000	121,249		121,249	3/17/66 (3/21/66)	24%+ (1970-6)
Banco Nacional de Panama (Republic of Panama) Public entity			Belizos <sup>1</sup> U.S. dollars	300,000				9/22/66 (5/27/66)	34%+ (1970-6)
Republic of Panama Public entity			Total in U.S. dollars	1,700,000					
			U.S. dollars	2,000,000					
			U.S. dollars	3,500,000				11/9/66 (1970-67)	24%+ (1970-67)
TOTAL LOANS TO PANAMA EXPRESSED IN U.S. DOLLARS				19,400,000	3,884,418	371,751	3,512,667		
PANAMA									
Banco Nacional de Fomento (Republic of Panama) Public entity	Industrial and agricultural credit (\$5,500,000)	176 agricultural credits for \$1,677,553 and 68 industrial credits for \$1,398,412 authorized	U.S. dollars	2,946,942	2,946,942	973,193	1,973,749	3/24/61 (7/26/61)	54% (1963-6)
Republic of Paraguay Public entity	Development of a pilot land colonization project at Puerto Presidente Stroessner in Eastern Paraguay (\$1,650,000)	Project carried out	U.S. dollars	250,000	250,000	111,111	138,889	5/26/61 (7/26/61)	4% (1963-7)
Republic of Paraguay Public entity	Land settlement studies (\$875,000)	Project completed	U.S. dollars	800,000	221,250	21,023	210,227	4/5/62 (12/2/62)	4% (1966-7)
Administración Nacional de Electricidad del Paraguay (Republic of Paraguay) Public entity	Preparation of design and construction plans for 45,000 kilowatt hydroelectric plant on Acaray River (\$400,000)	Plans completed	U.S. dollars	400,000	400,000			12/6/62 (12/7/62)	4% (1964)
Administración Nacional de Electricidad del Paraguay (Republic of Paraguay) Public entity	Construction of a 45,000-kilowatt hydroelectric plant on Acaray River; 195 miles of transmission lines to Asunción, and other improvements (\$251,800,000)	Project under construction	U.S. dollars	14,150,000	5,459,556		5,459,556	4/18/63 (6/17/64)	4% (1970-6)
Banco Nacional de Fomento (Republic of Paraguay) Public entity	Industrial credit (\$9,000,000)	13 credits for a total of \$1,946,296 authorized	Guaraníes <sup>1</sup> U.S. dollars	500,000					
			Total in U.S. dollars	3,500,000	686,572		686,572	7/30/64 (6/17/64)	4% (1968-7)
				4,000,000	686,572		686,572		

## FUND FOR SPECIAL OPERATIONS

Statement of Loans as of Dec. 31, 1968

Country and Borrower (Borrower)	Purpose (Project Cost)	Project Achieved	Currency	Amount	Balance of Loans Repaid	Outstanding	Approved (Signed)	Interest (Maturity)
<b>PARAGUAY (Cont'd.)</b>								
Republic of Paraguay Public entity	Expansion of agricultural colonization project at Puerto Presidente Stroessner, Eastern Paraguay (\$1,415,000)		Guaraníes <sup>1</sup> U.S. dollars	400,000 280,000			5/27/65 (1/21/66)	4% <sup>a</sup> (1970-81)
	Total in U.S. dollars			680,000				
Republic of Paraguay Public entity	Establishment of preinvestment fund for preparation of special projects and general studies (\$1,000,000)		U.S. dollars	700,000			6/9/65 (9/30/66)	3 1/4% <sup>a</sup> (1970-82)
Banco Nacional de Fomento (Republic of Paraguay) Public entity	Agricultural and industrial credit (\$8,000,000)		Guaraníes <sup>1</sup> U.S. dollars	1,600,000 4,400,000			11/10/65	2 1/4% <sup>a</sup> (1971-83)
	Total in U.S. dollars			6,000,000				
<b>TOTAL LOANS TO PARAGUAY EXPRESSED IN U.S. DOLLARS</b>				29,905,942	9,968,320	1,505,327	8,462,993	
<b>PERU</b>								
Republic of Peru Public entity	Preinvestment studies of 65-mile Juan-San Ignacio road (Northern Peru) and 115-mile road between Tumbura and Puerto Maldonado in Southwest Peru (\$350,000)	Feasibility studies completed	Soles <sup>1</sup> U.S. dollars	115,000 900,000	103,570 286,350	5,504 15,668	8/20/64 (11/6/64)	4% (1966-74)
	Total in U.S. dollars			475,000	389,920	21,172	388,748	
Republic of Peru Public entity	Integrated development of Indian communities in the Sierra (\$35,542,000)	Agricultural credit phase of program initiated	Soles <sup>1</sup> U.S. dollars	2,400,000 17,600,000	481,506 481,506		1/27/65 (3/4/66)	2 1/4% <sup>a</sup> (1970-80)
	Total in U.S. dollars			20,000,000	481,506		481,506	
Corporación Financiera de la Reforma Agraria (Republic of Peru) Public entity	Settlement of 5,125 farm families in the Huallaga River basin in the Departments of Huancayo and San Martín (\$25,000,000)		Soles <sup>1</sup> U.S. dollars	1,500,000 13,500,000			5/26/65 (9/30/66)	2 1/4% <sup>a</sup> (1971-81)
	Total in U.S. dollars			15,000,000				
Republic of Peru Public entity	Establishment of preinvestment fund for preparation of special projects and general studies (\$5,167,000)		Soles <sup>1</sup> U.S. dollars	500,000 2,600,000			9/29/65	3 1/4% <sup>a</sup> (1970-82)
	Total in U.S. dollars			3,100,000				
Universidad Nacional de Trujillo (Republic of Peru) Public entity	Expansion and improvement of Schools of General Studies and Chemical Engineering (\$5,100,000)		Soles <sup>1</sup> U.S. dollars	100,000 1,700,000			12/0/65	2 1/4% <sup>a</sup> (1971-80)
	Total in U.S. dollars			1,800,000				

Republic of Peru Public entity	Construction of dam to irrigate 17,000 acres and improve irrigation for 25,000 more at Arequipa. Banco near Arequipa (\$1,130,000)	860,000	Sales <sup>1</sup>	12/20/66	3 1/2 % <sup>a</sup> (1970-80)
<b>TOTAL LOANS TO PERU EXPRESSED IN U.S. DOLLARS</b>					
		41,175,000	871,426	21,172	850,254
<b>URUGUAY</b>					
Establecimientos Frigoríficos del Centro, S.A. Private entity	Soap manufacturing plant (\$840,000)	Project completed	U.S. dollars	8/3/61 (11/20/61)	5 1/2 % (Repaid)
		197,000	197,000	197,000	
Cooperativa Nacional de Productos de Lacteos (Banco de la Republica Oriental del Uruguay) Mixed entity	Expansion of dairy industry (\$5,500,000)	Project initiated	U.S. dollars	11/5/64 (3/9/65)	4 1/2 % <sup>a</sup> (1969-81)
		3,600,000	24,685	24,685	
Republic of Uruguay Public entity	Expansion of water supply services in eastern coastal cities (\$1,778,000)		U.S. dollars	6/10/65 (8/19/65)	4 1/2 % <sup>a</sup> (1969-85)
		1,000,000			
Banco de la Republica Oriental del Uruguay Public entity	Establishment of reinvestment fund for the preparation of specific projects and general studies (\$2,150,000)		Perus <sup>1</sup> U.S. dollars Total in U.S. dollars	9/1/66	3 1/2 % <sup>a</sup> (1971-80)
		150,000 1,350,000 1,500,000			
<b>TOTAL LOANS TO URUGUAY EXPRESSED IN U.S. DOLLARS</b>					
		6,297,000	221,685	197,000	24,685
<b>VENEZUELA</b>					
Instituto Agrario Nacional (Republic of Venezuela) Public entity	Settlement of 800 farm families (\$21,621,000)	Project 65% complete	Bolivares <sup>1</sup>	11/8/62 (12/19/62)	4 1/2 % (1966-85)
		2,700,000	1,435,669	20,000	1,415,669
Instituto Nacional de Obras Sanitarias (Republic of Venezuela) Public entity	Expansion of water systems for Ciudad, Puerto Cabello and Puerto Ordaz and of sewerage system for Maracaibo (\$19,814,000)		Bolivares <sup>1</sup>	11/29/65	4 1/2 % (1970-85)
		7,200,000			
<b>TOTAL LOANS TO VENEZUELA EXPRESSED IN U.S. DOLLARS</b>					
		9,900,000	1,435,669	20,000	1,415,669

**FUND FOR SPECIAL OPERATIONS**  
**Statement of Loans as of Dec. 31, 1966**

Country and Borrower (Borrower)	Purpose (Project Code)	Program Authorized	Currency	Amount	Interest Paid	Outstanding	Approved Signed	Interest (Interest)
REGIONAL	Industrial and infrastructure credit (\$9,004,000)  Public entity	22 Industrial loans for \$8,812,636 authorized	Colones (Costa Rica)	1,250,000	1,112,210	1,112,210	4/4/63	4%
			Colones (El Salvador)	350,000	350,000	350,000	4/26/63	(1947-43)
			Quetzales	270,000	270,000	270,000		
			Lempiras	380,000	331,740	331,740		
			Corobas	1,400,000	560,000	560,000		
			U.S. dollars	5,000,000	4,585,270	4,585,270		
			Total in U.S. dollars	6,000,927	5,820,157	5,820,157		
Central American Bank for Economic Integration Public entity	Industrial and infrastructure credit (\$13,100,000)	17 Industrial loans for \$12,050,057 authorized	Colones (Costa Rica) 1	80,000	80,000	80,000	12/26/64	4%
			Colones (El Salvador) 1	100,000	16,000	16,000	5/20/65	(1095-43)
			Quetzales 1	120,000	56,000	56,000		
			Corobas 1	100,000				
			U.S. dollars	7,000,000	5,304,613	5,304,613		
			Total in U.S. dollars	8,280,000	5,937,417	5,937,417		
			Central American Bank for Economic Integration Public entity	Proportion of preinvestment studies of specific projects of regional interest (\$2,300,000)	Colones (Costa Rica) 1	10,000		
Colones (El Salvador) 1	80,000					5/23/65	(1072-48)	
Quetzales 1	80,000							
Lempiras 1	80,000							
Corobas 1	80,000							
U.S. dollars	2,780,000							
Total in U.S. dollars	3,000,000							
TOTAL REGIONAL LOANS EXPRESSED IN U.S. DOLLARS								
				17,200,927	11,157,574	11,157,574		
TOTAL LOANS EXPRESSED IN U.S. DOLLARS								
Loans Participations				688,000,000	384,520,205	384,520,205	114,979,210	
Loans				1,000,000	1,000,000	960,000	1,675,229	
Net total loans expressed in U.S. dollars				789,000,000	385,520,205	385,520,205	116,654,439	

A) All loans have been approved by the Bank, but certain loans have not become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, takes certain action and furnish certain documents to the Bank.

B) The Bank has entered into irrevocable commitments to disburse \$5,557,339.

<sup>1</sup> Expressed in U.S. dollar equivalent.

<sup>2</sup> In addition to the interest rate shown, also subject to a commitment fee of  $\frac{1}{4}\%$  on the undisbursed balance.

<sup>3</sup> In addition to the interest rate shown, also subject to a commitment fee of  $\frac{1}{2}\%$  on the undisbursed balance.

<sup>4</sup> In addition to the interest rate shown, also subject to a commitment fee of  $\frac{1}{2}\%$  and a service charge of  $\frac{3}{4}\%$ .

<sup>5</sup> In addition to the interest rate shown, also subject to a commitment fee of  $\frac{3}{4}\%$  and a service charge of  $\frac{3}{4}\%$ .

<sup>6</sup> In addition to the interest rate shown, also subject to commitment fees of  $\frac{1}{4}\%$  and  $\frac{1}{2}\%$ , according to the subprograms to be financed, and a service charge of  $\frac{1}{4}\%$ .



### Part III Activities

#### SOCIAL PROGRESS TRUST FUND

##### Operations/Fiscal Year 1966

(Administered by the Inter-American Development Bank as Administrator under the Social Progress Trust Fund Agreement executed between the United States Government and the Bank June 19, 1961.)

The Inter-American Bank has administered the Social Progress Trust Fund since June 19, 1961, within the framework of the Alliance for Progress under an agreement with the United States Government.

Originally, the United States assigned \$491 million to the Trust Fund and subsequently on Feb. 17, 1961, it increased that sum by \$131 million to \$525 million. The Trust Fund was established as part of the Special Inter-American Fund for Social Progress which was proposed by the United States and approved by the representatives of the American Republics in the Act of Bogota in September 1960.

Under the agreement, the Trust Fund is designed "to provide capital resources and technical assistance on flexible terms and conditions, including repayment in local currency and the relending of repaid funds and interest, in accordance with appropriate and selective criteria in the light of the resources available, to support the efforts of the Latin American countries that are prepared to initiate or expand effective institutional improvements and to adopt measures to employ efficiently their own resources with a view to achieving greater social progress and more balanced economic growth."

The resources of the Fund were to be utilized in making loans in the fields of land settlement and improved land use, housing for low-income groups, community water supply and sanitation facilities, and advanced education and training.

In addition the Bank was authorized

to use the resources of the Trust Fund in providing technical assistance related to projects in the above four fields as well as that related to the mobilization of domestic financial resources and the strengthening of financial institutions in Latin America.

On July 21, 1966, the Bank established the "Preinvestment Fund for Latin American Integration." Shortly thereafter the United States Government and the Bank signed an amendment to the Trust Fund Agreement under which such amounts of the resources of the Trust Fund as may be agreed upon from time to time may be allotted to the Preinvestment Fund for Latin American Integration (page 53). The same day through an exchange of letters the United States Government assigned an initial \$1.5 million from the Trust Fund to the Preinvestment Fund.

As indicated in the 1965 Annual Report virtually all of the resources allotted to the Trust Fund by the United States Government were committed in loans and technical assistance by the end of 1965. As of Dec. 31, 1966, such loan commitments stood at 117 totaling \$501,233,534, and technical assistance grants had reached \$8.6 million. The latter included grant technical assistance for \$1,922,249 extended by the Bank from the Social Progress Trust Fund in 1966.

The Bank's lending activities with the resources of the Social Progress Trust Fund in the future will depend on repayments on loans made up to 1965. The amortization periods on these loans, including grace periods, has varied from 20 to 30 years. Thus

such activities will be limited for some time due to the long terms.

However, the Bank's authorizations of social development loans are continuing at an undiminished rate since the Bank is now making such loans with the expanded resources of the Fund for Special Operations.

In accordance with the terms of the Trust Fund Agreement, the Bank as Administrator publishes a separate report on the measures taken by the Latin American borrowing countries to accomplish the objectives spelled out in the Act of Bogota and the Charter of Punta del Este.

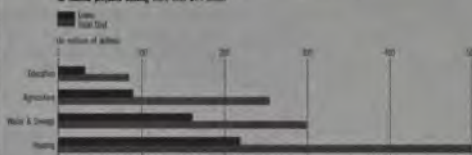
#### Technical Assistance

The technical assistance extended by the Bank in 1966 from the Social Progress Trust Fund amounted to \$1,982,249, of which \$1,922,249 was grant and \$60,000 was reimbursable assistance.<sup>1</sup>

The 1966 commitments brought net cumulative technical assistance authorizations from the Trust Fund to \$13,716,564 as of Dec. 31, 1966. Of this sum \$8,629,603 was grant aid and \$5,086,961 was reimbursable assistance. The major portion of the reimbursable assistance consisted of parts of Trust Fund loans allocated to the technical services required in projects.

The 1966 commitments included the initial two authorizations made from the \$1.5 million which the United States assigned from the resources of the Social Progress Trust Fund to the Preinvestment Fund

Loans from the Social Progress Trust Fund amounting to \$391.2 million are being  
to finance projects costing more than \$1.1 million



for Latin American Integration which the Bank established in July 1966 (page 53). The two authorizations included \$200,000 used to help finance a feasibility study of a telecommunications system in South America, and \$50,000 to help finance a survey of multinational investment possibilities within the framework of Latin American integration (page 53).

Following is a summary of the technical assistance commitments made from the Trust Fund in 1966 and a description of each of the individual operations.

#### Reimbursable

In Ecuador .....\$ 60,000

#### Non-Reimbursable

In Bolivia, Brazil, Chile,  
the Dominican Republic,  
Ecuador, Haiti, Mexico,  
Paraguay and  
Uruguay .....\$ 733,800

Other

Activities ..... 1,185,449

Total Non-Reimbursable ..... 1,922,249

GRAND TOTAL .....\$1,982,249

<sup>1</sup> In 1966 the Bank also authorized \$25,710,032 in technical assistance from its own resources (page 73) and \$1,460,740 from the Canadian resources which it administers (page 139).



SOCIAL PROGRAMS  
TRUST FUNDS

## Country Activities

## BOLIVIA

The Bank approved a \$37,500 grant March 28 to finance a study designed to help Bolivia's Ministry of Agriculture to prepare a project for the settlement and development of an area known as Muestones. The Bank extended a \$10,000 grant Dec. 8 to help Bolivia's *Consejo Nacional de Vivienda* carry out a housing program.

## BRAZIL

The Bank extended a \$24,650 grant July 5 to the Government of Brazil for studies to improve various universities.

## CHILE

The *Cooperativa de Consumidores Unidos*, a consumer cooperative, was given a \$30,000 grant April 14 to finance advisory services related to the execution of a project supported by a Bank loan to establish supermarkets in low- and medium-income neighborhoods in Santiago.

## DOMINICAN REPUBLIC

On May 12 the Bank authorized a \$32,000 grant to help finance the activities of the OAS-IDB-ECLA Tripartite Mission which has been advising the nation on planning. The tripartite activities ended Dec. 31, 1966. However, to continue providing advisory services during 1967 to the Do-

minican Republic for the formulation of a national development program the Bank authorized an additional \$159,000 from the Trust Fund Nov. 5.

On Dec. 27 the Bank approved a \$50,000 grant to enable the Ministry of Public Health to carry out a study of new water supply services and a \$10,000 grant to finance a study to improve the Engineering School of the *Universidad Católica* in Santiago de los Caballeros.

## ECUADOR

On Aug. 19 the Bank authorized the use of up to \$60,000 of a \$3 million loan extended from the Trust Fund in 1963 to the *Centro de Reconstrucción Económica del Azuay, Cañar y Morona-Santiago* for a feasibility study of a road included in the land settlement program to which the loan was devoted. The Bank authorized a \$19,150 grant Dec. 19 to assist the *Conferencia Episcopal de la Iglesia Católica* of Ecuador to carry out an agrarian reform study in the country.

## HAITI

Along with a \$1.5 million loan from the Fund for Special Operations extended Nov. 17 to the *Banque National de la République d'Haiti* to help finance a program to improve teaching in agricultural and medical sciences in Haiti (page 69), the Bank authorized a \$125,000 grant from the Trust Fund to finance technical services related to the program's execution.

## MEXICO

The Bank authorized a \$50,000 grant Sept. 26 to help the *Banco Nacional Hipotecario Urbano y Obras Públicas* to finance technical assistance services related to the preparation of a community development plan in Northwest Mexico.

## PARAGUAY

The Bank extended four technical assistance grants in Paraguay in 1966 including \$25,000 May 12 to help finance the advisory services on planning of the OAS-IDB-ECLA Tripartite Mission; \$10,000 Aug. 29 to the *Banco Nacional de Fomento (BNF)* for advisory services on agricultural credit; \$8,000 May 29 for general advisory services to the BNF; and \$60,000 Aug. 8 for technical services for the execution of preparatory activities connected

MORE THAN 6,500 NEW HOMES for families of modest incomes in Ecuador are being constructed with the aid of a \$16.9 million loan. This development is located in Quito, the capital.





BREAKING NEW LAND for Venezuelan settlers. Over \$12 million worth of Bank loans have gone to help open up new farm lands for Venezuelan farm settlers.

with a role as financial agent of the Government of Paraguay for the purposes of mobilizing external resources to meet the goals of the nation's development plan.

#### URUGUAY

The Bank authorized a \$3,000 grant May 12 to help finance the activities of the OAS-IDB-ECLA Tripartite Mission which has been advising Uruguay on planning matters. The Bank authorized a \$15,000 grant Aug. 8 to help the Ministry of Agriculture carry out aerophotogrammetric surveys needed for the preparation of a plan for small irrigation projects throughout the country.

On Aug. 16 the Bank approved a \$37,500 grant to finance technical services connected with a role as financial agent for the Government of Uruguay in mobilizing external resources needed to carry out the nation's development plan.

#### Other Activities

In addition to the technical assistance authorized in individual countries, the Bank in 1966 authorized \$1,186,449 in grant technical assistance from the Trust Fund for various other activities. About 30 per cent of this amount was devoted to training, 45 per cent to planning, research and studies, and 25 per cent to activities related to the Latin American integration process. In many cases these grants supplemented amounts provided from the Fund for Special Operations.

#### TRAINING

The Bank authorized \$45,000 Feb. 21 to help finance the training courses which it carries out at its headquarters to familiarize Latin American officials with the organization, policies, methods and operations of the Bank, as well as other international financing agencies. A total of 42 officials from 18 member countries participated in the courses carried out in 1966.

On April 12 the Bank authorized \$12,836 as its contribution to the Ninth Training Course for Latin American officials which it sponsors in Mexico jointly with the Latin American Center for Monetary Studies.

The Bank also approved various grants for fellowships in courses carried out by other institutions, including \$15,000 March 7 to the *Fundação Getúlio Vargas*, a study center in Rio de Janeiro, for a course on customs policy and administration given for students from throughout Latin America; \$30,000 Aug. 29 to the *Facultad Latinoamericana de Ciencias Sociales*, a social sciences training center in Santiago, Chile, for a course on public administration; \$27,000 June 7 for the Fifth Course of the Latin American Institute for Economic and Social Planning in Santiago; \$6,000 April 4 to the Inter-American Housing and Planning Center in Bogotá, and \$10,500 Feb. 8 to the Latin American Demographic Center for a training program in Santiago.

Two grants were also authorized for fellowships for courses in Paraguay: \$8,000

SOCIAL PROGRESS  
THURST YUMIN

April 19 for a training course on planning carried out under the auspices of the OAS-IDB-ECLA Tripartite Mission in Paraguay and \$5,063 Dec. 20 for a similar training program to be conducted by Paraguay's Planning Secretariat in 1967.

In 1966 the Bank authorized various grants for training activities in the fields of agrarian reform and agricultural development, including \$20,000 April 12 for the Fifth Course on Agricultural Credit carried out in Mexico by the Inter-American Institute of Agricultural Sciences; \$31,000 Sept. 19 for fellowships to a course on agrarian reform conducted by the Chilean Institute of Agrarian Reform; \$47,000 Sept. 27 to finance agricultural development courses in Colombia, Chile, Guatemala, Nicaragua, Panama and Paraguay; \$10,000 Feb. 14 and \$5,300 Nov. 23 for a seminar on agricultural credit conducted in Guatemala, and \$12,000 Sept. 26 for an agricultural training program carried out by the *Instituto Superior de Agricultura* of the Dominican Republic.

The Bank authorized a \$45,000 grant June 27 for a training program on sanitary engineering carried out in various Latin American countries jointly with the Pan American Health Organization and a \$15,000 grant Dec. 19 for a seminar on public administration which will be held at the Bank's headquarters in 1967.

## PLANNING AND RESEARCH

Three grants were authorized by the Bank in 1966 for planning activities and studies in Central America: \$40,000 June 2 for the OAS-IDB-ECLA Tripartite Mission which conducted planning activities in the countries of the area; \$75,000 Sept. 29 for an evaluation of the operations of the Central American Bank for Economic Integration, and \$10,250 June 7 for a course in Central American development conducted by the UN Economic Commission for Latin America in Mexico.

The Bank contributed financing for various studies in the field of agriculture including a \$100,000 grant approved March 10 to help the Inter-American Commission on Agricultural Development continue studies on agrarian reform in Mexico, Bolivia and Venezuela, and a \$100,000 grant authorized June 16 to assist in a general study on agricultural credit.

A \$20,000 grant was made July 19 to help finance a statistical study on housing costs in Latin America carried out in cooperation with ECLA and a \$50,000 grant was authorized Oct. 27 for the publication jointly with the OAS of studies on Latin American tax systems and a model fiscal code. On Sept. 7 the Bank authorized \$50,000 for a study of financial aspects of agrarian reform in Latin America which is being carried out by FAO.

TAPPING WATER NEAR LUTCO, PERU. This rural system is part of a nation-wide plan to bring an adequate supply of potable water to Peru's rural inhabitants. It is being aided with Bank financing.





The School of Law and Social Sciences of the University of Chile received a \$17,000 grant June 7 to help finance the second Latin American Meeting on Political and Social Sciences. The Chilean Chamber of Construction received a \$27,000 grant July 5 to help organize the First Inter-American Congress on Housing and carry out a study on the Hemisphere's housing problems.

The Bank assigned \$15,000 Nov. 7 to the publication of the Roundtable on Community Development, which took place in Mexico during the Bank's Seventh Annual Meeting in April.

#### INTEGRATION ACTIVITIES

On Oct. 14 the Bank allocated \$200,000 from the \$1.5 million which the United States assigned to the Preinvestment Fund for Latin American Integration from the Social Progress Trust Fund (page 106) for a study on a telecommunications system in South America. The same day the Bank allotted \$50,000 to help finance a survey of multinational investment possibilities within the framework of Latin America's economic integration.

The Bank authorized \$50,000 from the Trust Fund Nov. 3 for a study which the Bank has been carrying out since 1964 in cooperation with ECLA and the Latin American Institute for Economic and Social Planning of the possibility of developing certain major industries in Latin America on an integrated regional basis. The Bank devoted \$7,500 March 7 to a Colloquium on Latin

American Integration held at Georgetown University in Washington.

#### Financial Highlights

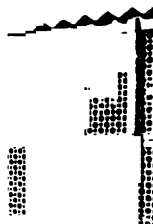
During 1966 the Social Progress Trust Fund had earnings of \$4,711,523 in excess of expenses before deducting charges for technical assistance costs, which amounted to \$1,799,800; currency adjustments which amounted to \$157,130; and special charges which amounted to \$139,033. These figures compared with \$1,837,481 in earnings for 1965, \$1,541,433 in technical assistance expenditures and \$282,520 in currency adjustments in 1965.

Gross income for the year amounted to \$6,178,097, of which \$1,354,852 was derived from interest on loans and \$1,823,245 was derived from service charges on loans.

Administrative expenses chargeable to the Trust Fund during 1966 amounted to \$2,163,574, compared with \$2,770,615 in 1965. Disbursements on loans from the Social Progress Trust Fund in 1966 amounted to \$69,977,633, compared with \$70,607,416 in 1965. These brought disbursements on such loans as of Dec. 31, 1966, to \$296,075,206.

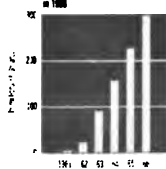
Repayments by borrowers on such loans as of Dec. 31, 1966, amounted to \$6,176,585, compared with \$1,301,895 in 1965. These brought total repayments at the end of the year to \$15,126,527.

The audited financial statements of the Trust Fund are contained in the following pages.



**MORE WATER FOR MEXICO** and 11 other Mexican cities on the Yucatan Peninsula has been provided with the help of a \$6.2 million loan from the Social Progress Trust Fund.

**Cumulative disbursements from the Social Progress Trust Fund**  
as of Dec. 31, 1966



**FINANCIAL STATEMENTS  
SOCIAL PROGRESS TRUST FUND**

**OPINION OF INDEPENDENT AUDITOR  
SOCIAL PROGRESS TRUST FUND**

Inter-American Development Bank  
Trustee of the Social Progress Trust Fund  
Washington, D. C.

In our opinion, the accompanying financial statements (Appendices III-1 to III-6) present fairly, in terms of United States currency, the financial position at December 31, 1964, of the Social Progress Trust Fund which is administered by the Inter-American Development Bank, and the results of its operations for the year then ended, in conformity with the generally accepted accounting principles applied on a basis consistent with that of the Bank. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

**PRICE WATERHOUSE & CO.**

**APPENDIX**

Income and Expenses .....	III-1
Administrative Expenses .....	III-2
Interest Assistance Expense .....	III-3
Interest on Loans .....	III-4
Assets Held by the Bank .....	III-5
Financial Statements .....	III-6

## SOCIAL PROGRESS TRUST FUND

SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK

APPENDIX III-1

## BALANCE SHEET

DECEMBER 31, 1965 AND DECEMBER 31, 1966

Expressed in United States Dollars—See Notes to Financial Statements—Appendix III-6

ASSETS	1965		1966	
<b>Due from banks (Appendix III-5) (Note A)</b>				
United States dollars .....	\$ 93,870		\$ 232,120	
Currencies other than United States dollars .....	9,048,838	\$ 9,142,708	4,394,456	\$ 4,626,576
<b>Loans outstanding (Appendix III-4)</b>				
Total loans approved since inception, less cancellations .....	501,233,534		501,233,534	
Less principal repayments .....	8,949,942		15,126,527	
Approved loans held by Trust Fund .....	492,283,592		486,107,007	
Less undisbursed balance .....	275,135,962	217,147,630	205,100,326	280,946,679
<b>Accrued charges on loans .....</b>		1,132,052		1,534,100
<b>Available from United States Government (Note B) .....</b>		291,505,000		239,940,000
<b>Other assets .....</b>		170,704		120,443
<b>Total assets .....</b>		<u>\$519,098,094</u>		<u>\$621,940,658</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accrued expenses and accounts payable .....		\$ 728,055		\$ 878,946
Fund for special supervision and inspection of loans (Note C) .....				104,613
<b>Fund balance</b>				
Fund established by United States Government (Note B) .....	\$525,000,000		\$525,000,000	
Accumulated excess of expenses over income at beginning of year .....	6,643,689		6,629,961	
Less excess of income over expenses during the year (Appendix III-2) .....	13,728	518,370,039	1,614,200	519,998,230
<b>Total liabilities and Fund balances .....</b>		<u>\$519,098,094</u>		<u>\$621,940,658</u>

SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK  
**STATEMENT OF INCOME AND EXPENSES**  
FOR THE YEARS ENDED DECEMBER 31, 1965 AND DECEMBER 31, 1966  
Expressed in United States Dollars—See Notes to Financial Statements—Appendix III-6

APPENDIX III-2

	1965	1966
<b>Income from loans</b>		
Interest .....	\$ 3,253,152	\$ 4,354,852
Service charges .....	1,355,174	1,823,245
Gross income .....	4,608,326	6,178,097
<b>Administrative expenses</b>		
Salaries (Note B) .....	\$ 596,118	\$ 495,955
Professional services .....	28,082	43,113
Travel .....	110,786	72,031
Printing .....	79,061	96,852
Field offices (includes salaries 1965 \$203,556—1966 \$187,909) .....	229,114	214,590
Miscellaneous .....	388	340
Indirect and overhead expenses (Note B)		
Paid or payable to Bank—Ordinary		
Capital (See Appendix I-2) .....	1,330,018	1,184,794
Paid or payable to Bank-Fund for		
Special Operations (See Appendix II-2) .....	397,278	353,899
Total administrative expenses .....	2,770,845	2,463,574
Excess of income over administrative expenses .....	1,837,481	3,714,523
<b>Technical assistance and special charges</b>		
Technical assistance (Appendix III-3) (Note C) .....	1,541,433	1,799,800
Decrease in United States dollar equivalents of Latin American currencies held by the Trust Fund (Note A) .....	282,320	157,430
Special charge arising from retroactive adjustment of rate allowed in charging indirect and overhead expenses (Note B) .....		139,633
Excess of income over expenses .....	\$ 13,728	\$ 1,618,280



## SOCIAL PROGRESS TRUST FUND

SOCIAL PROGRESS TRUST FUND  
 ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK  
 STATEMENT OF TECHNICAL ASSISTANCE EXPENSE (NOTE C)  
 JANUARY 1 TO DECEMBER 31, 1966  
 Expressed in United States Dollars—See Notes to Financial Statements—Appendix III-6

APPENDIX III-3

Bolivia .....	\$ 60,057
Brazil .....	48,785
Chile .....	54,385
Costa Rica .....	1,738
Dominican Republic .....	68,557
Ecuador .....	25,000
El Salvador .....	8,065
Honduras .....	4,115
Nicaragua .....	17,000
Panama .....	1,800
Paraguay .....	100,000
Peru .....	10,100
Uruguay .....	222
Central America-Tripartite Mission .....	66,907
Bolivian Marginal Jungle Highway Project .....	2,553
Intern training in the Bank .....	37,005
Fellowships .....	100,427
Substantive studies .....	360,000
Institute for Latin American Integration .....	170,000
Preinvestment studies .....	200,000
Courses and seminars .....	200,000
Miscellaneous .....	130,000
	<u>1,817,000</u>
Less refunds and adjustments for prior years .....	17,500
	<u>\$1,799,500</u>

SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK

APPENDIX III-4

## SUMMARY STATEMENT OF LOANS

DECEMBER 31, 1966

Expressed in United States Dollars—See Notes to Financial Statements—Appendix III-6

Countries in which loans have been made (1)	Total loans approved since inception less cancellations (2)	Principal repayments (Note 3)	Approved loans held by Trust Fund		
			Total	Undisbursed	Outstanding (Note 4)
Argentina .....	\$ 43,500,000	\$ 671,486	\$ 42,828,514	\$ 33,898,499	\$ 8,930,015
Bolivia .....	14,600,000	273,749	14,326,251	7,711,625	6,614,626
Brazil .....	62,600,000	1,077,564	60,982,436	17,385,423	43,597,013
Chile .....	35,438,000	896,250	34,541,750	10,036,402	24,505,348
Colombia .....	46,937,000	1,304,081	48,632,919	17,667,155	30,965,764
Costa Rica .....	12,639,652	232,152	12,407,500	6,862,779	5,544,721
Dominican Republic .....	10,285,000	355,000	9,930,000	5,606,319	4,323,681
Ecuador .....	27,783,000	448,750	27,334,250	10,436,065	16,898,185
El Salvador .....	22,040,000	489,800	21,550,200	6,366,415	15,183,785
Guatemala .....	14,320,000	153,938	14,166,062	8,436,025	5,730,037
Honduras .....	7,635,000	230,000	7,405,000	2,316,742	5,088,258
Mexico .....	35,524,000	734,338	34,789,662	18,719,105	16,070,557
Nicaragua .....	13,135,000	372,282	12,762,718	4,395,325	8,367,393
Panama .....	12,962,000	535,050	12,326,950	2,025,774	10,301,176
Paraguay .....	7,800,000	95,000	7,705,000	4,809,742	2,895,258
Peru .....	45,250,000	1,055,194	44,194,806	15,305,723	28,889,083
Uruguay .....	10,500,000	53,000	10,447,000	8,106,232	2,340,768
Venezuela .....	72,999,882	6,054,851	66,945,031	22,948,466	43,996,565
Central American Countries—					
Five universities .....	2,925,000	124,042	2,800,958	2,094,522	706,436
<b>Total .....</b>	<b>\$501,233,534</b>	<b>\$15,126,527</b>	<b>\$486,107,007 (3)</b>	<b>\$205,160,526(4)</b>	<b>\$280,946,481</b>

(1) Loans from the resources of the Trust Fund are made to member countries of the Inter-American Development Bank or to political subdivisions of such members or to private enterprises located in the territory of such members. For loans to borrowers other than members of the Bank, the Bank as Administrator has received in many instances the member's guarantee.

(2) All of the loans have been approved by the Bank as Administrator of the Trust Fund, but certain loans have not become effective and disbursements thereunder will

not begin until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank.

(3) Of the total approved loans from the resources of the Trust Fund, loans aggregating \$451,746,807 had become effective (i.e., eligible for disbursement) as of December 31, 1966 (see (2) above).

(4) The Bank as Administrator has entered into irrevocable commitments to disburse \$7,809,467.

## SOCIAL PROGRESS TRUST FUND

SOCIAL PROGRESS TRUST FUND  
 ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK  
 STATEMENT OF CURRENCIES HELD BY THE BANK  
 DECEMBER 31, 1966  
 See Notes to Financial Statements—Appendix III-6

APPENDIX III-4

Country	Unit of currency	Exchange rate (1)	Expressed in United States dollars	
			Amount in local currency	
Argentina .....	Peso	206.80	111,533,850	\$ 453,980
Bolivia .....	Peso Boliviano	11.875	3,287,405	276,182
Brazil .....	Cruzeiro	2,200.00	1,507,771,346	685,350(2)
Chile .....	Escudo	5.00	144,618	28,923
Colombia .....	Peso	13.50	5,785,413	428,549
Costa Rica .....	Colon	6.05	773,387	128,371
Dominican Republic .....	Peso	1.00	408,000	408,000
Ecuador .....	Sucre	20.45	3,540,617	173,588
El Salvador .....	Colon	2.50	111,013	44,765
Guatemala .....	Quetzal	1.00	330,005	330,005
Honduras .....	Lempira	2.00	151,704	75,852
Mexico .....	Peso	12.50	1,705,367	136,465
Nicaragua .....	Corдобa	7.00	389,231	57,000
Panama .....	Balboa	1.00	37,276	37,276
Paraguay .....	Guarani	125.56	6,278	50
Peru .....	Sol	26.34	4,875,004	185,047
United States .....	Dollar	1.00	232,120	232,120
Uruguay .....	Peso	76.20	3,750,501	49,380
Venezuela .....	Bolivar	4.50	3,740,514	831,385
Total expressed in United States dollars .....				<u>\$4,038,590</u>

(1) See Appendix III-4, Note A.

(2) In February 1967 Brazil devalued the cruzeiro from 2000 to the United States dollar to 2700 to the dollar. The effect of this devaluation is to decrease by approximately

\$227,000 the dollar equivalent of Brazilian cruzeiros held by the Trust Fund at December 31, 1966.

SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1966

APPENDIX B-4

**NOTE A**

Amounts in currencies other than United States dollars have been translated into United States dollars at the approximate market rates of exchange existing at December 31, 1966 except for loan disbursements made in the national currencies of the borrowers which have been translated into United States dollars at the rates at which the amounts were loaned. No representation is made that any of such currencies is convertible into any other of such currencies at any rate or rates.

**NOTE B**

The Government of the United States of America and the Inter-American Development Bank entered into an Agreement on June 19, 1961 and a supplemental Agreement on February 17, 1964 which provide that the Bank as Administrator of the Social Progress Trust Fund may make commitments on behalf of the Trust Fund in an amount of \$325,000,000. The resources of the Trust Fund are to be used to provide capital and technical assistance to Latin American countries on flexible terms and conditions with a view to achieving improved conditions in the fields specified in the Agreement. As of December 31, 1966, \$291,160,000 had been received by the Bank from the United States. The remainder of \$233,840,000 is to be made available to the Bank by the United States as needed to meet commitments of the Trust Fund.

In accordance with the Social Progress Trust Fund Agreement, the Bank shall charge the Trust Fund for the following expenses:

- a) Salary costs of time which is spent on work for the Trust Fund by the professional staff, exclusive of department and division heads and assistant heads, of the Operations, Technical and Legal Departments of the Bank, including the divisions within those departments.
- b) all other expenses clearly identifiable as having been incurred on behalf of the Trust Fund, and
- c) indirect and overhead expenses of the Bank at the rate of \$1.80 per \$1.00 of salary costs charged to the Trust Fund per (a) above, subject to adjustment at the end of each accounting period.

In 1964 the Government of the United States of America agreed to increase the rate which had been used in charging indirect and overhead expenses from \$1.80 per \$1.00 of salary costs to \$2.16 per \$1.00 of salary costs charged to the Trust Fund per (a) above. Such rate increase was made retroactively to January 1, 1963. The \$2.16 increased rate was also used in charging indirect and overhead expenses of the Bank for the years 1964 and 1965. By letter dated February 14, 1966 the Government of the United States agreed to a further increase of the rate from \$2.16 to \$2.25 to be applied retroactively to January 1, 1964; accordingly \$107,035 and \$31,978 respectively, were paid on February 28, 1966 by the Trust Fund to the Bank—Ordinary Capital and the Bank—Fund for Special Operations to give effect to the increased rate for the years 1964 and 1965.

The Bank has continued to use the adjusted rate (\$2.25) in charging indirect and overhead expenses for 1966. The rate used in 1965 and 1966 is subject to review by either the Bank or the Government of the United States. The amount of the adjustment, if any, and the period to which it may be applied cannot be determined at this time.

**NOTE C**

Under the provisions of the Agreement the Bank as Administrator may provide technical advice and assistance to Latin American countries. At December 31, 1966 the amount approved by the Bank as Administrator for technical assistance projects but not yet disbursed was \$2,524,415. The accumulated technical assistance expenditures made by the Bank as Administrator as of December 31, 1966 include \$220,566 which may be reimbursed to the Bank as Administrator if loans are granted as a result of the technical assistance projects.

**NOTE D**

Loan disbursements have been made in United States dollars except for certain loans for which disbursements have been made in the national currencies of the borrowers. In accordance with the provisions of all loan agreements, repayments may be made in the national currency of the borrower at the approximate market rate of exchange existing at the date of repayment, and in accordance with the provisions of certain loan agreements, repayments may be made either in national currency or in United States dollars at the election of the borrower.

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## SOCIAL PROGRESS TRUST FUND

## NOTE E

In accordance with the loan contracts borrowers have agreed to special charges to cover costs of extraordinary supervision and inspection services performed in connection with projects financed under the loans. Beginning in 1966 the Bank established a special fund in each of the separate windows of the Bank (Ordinary Capital, Fund for Special Operations and Social Progress Trust Fund) to accumulate the amounts charged under the special provisions of the loans. Each loan is charged pursuant to the contract and the offsetting credit is accumulated in an account called "Fund for special supervision and inspection of loans" (Fund). Expenses associated with supervision and inspection of these loans which are over and above those normally and routinely performed by the Bank are charged each month to the Fund. There follows a summary of the transactions in the Fund (Social Progress Trust Fund) in the year ended December 31, 1966:

Charges against loans	\$390,016
Expenses incurred in special supervision and inspection of loan projects	205,403
Unexpended balance December 31, 1966	<u>\$184,613</u>

STATEMENT OF LOANS

**SOCIAL PROGRESS TRUST FUND**  
**Statement of Loans as of Dec. 31, 1968**

Country and Borrower (Government)	Project (Brief Description)	Program (Project Type)	Progress Achieved	Currency	Amount	Interest	Balance of Loans Repaid	Outstanding	Agreed (Estimated)	Interest (Estimated)
<b>ARGENTINA</b>										
Republic of Argentina Public entity	Re-equipping Universities of Buenos Aires, Tucuman, Cordoba, La Plata, Cuyo del Uruguay, order del Norte and del Sur (\$10,000,000)	Re-equipping Universities of Buenos Aires, Tucuman, Cordoba, La Plata, Cuyo del Uruguay, order del Norte and del Sur (\$10,000,000)	80% of the project equipment purchased another 30% on order	U.S. dollars	5,000,000	3,011,385	221,086	2,790,299	3/22/82 (5/4/82)	114% (1983-77)
Banco Hipotecario Nacional Public entity	Construction of 15,200 housing units throughout Argentina (\$80,000,000)	Construction of 15,200 housing units throughout Argentina (\$80,000,000)	1,010 houses built, 8,225 under construction	U.S. dollars	30,000,000	6,598,616	450,000	6,138,616	11/29/82 (1/24/83)	114% (1984-88)
Administración General de Obras Sanitarias de la Nación (Republic of Argentina) Public entity	Expansion of water systems for Buenos Aires suburbs of Avellaneda and Lomas (\$6,882,000)	Expansion of water systems for Buenos Aires suburbs of Avellaneda and Lomas (\$6,882,000)	Project under construction	U.S. dollars	3,500,000				7/30/84 (10/7/84)	29% (1987-85)
Republic of Argentina Public entity	Construction or expansion of water systems in rural communities (\$10,000,000)	Construction or expansion of water systems in rural communities (\$10,000,000)		U.S. dollars	5,000,000				8/12/85 (8/26/85)	29% (1987-82)
<b>TOTAL LOANS TO ARGENTINA EXPRESSED IN U.S. DOLLARS</b>					43,500,000	9,610,001	671,086	8,938,915		
<b>BOLIVIA</b>										
Corporación Boliviana de Fomento (Banco Central de Bolivia) Public entity	Settlement of 8,000 farm families on public lands in East Central Bolivia (\$15,321,000)	Settlement of 8,000 farm families on public lands in East Central Bolivia (\$15,321,000)	2,571 farm families settled; 3,538 farm plots subdivided; 218 miles of access roads built; 17,000 acres of land cleared and under cultivation; other settlement activities carried out	U.S. dollars	6,500,000	3,385,583	113,749	3,271,814	12/28/82 (1/29/83)	114% (1984-88)
Comando Nacional de Vivienda (Banco Central de Bolivia) Public entity	Construction of 3,070 housing units in La Paz, Cochabamba, Potosí, Oruro and Santa Cruz (\$5,420,000)	Construction of 3,070 housing units in La Paz, Cochabamba, Potosí, Oruro and Santa Cruz (\$5,420,000)	1,254 houses built, 1,078 under construction	U.S. dollars	4,000,000	2,811,006	150,000	2,661,006	3/22/83 (6/14/83)	114% (1984-88)
Republic of Bolivia Public entity	Establishment of 5 rural development zones (\$920,000)	Establishment of 5 rural development zones (\$920,000)	Health, road, housing, school and irrigation works carried out for zones of Mizque, Potosí, Oruro and La Paz	U.S. dollars	435,000	361,146	20,000	341,146	10/01/83 (1/16/84)	114% (1986-88)
Republic of Bolivia Public entity	Laboratory and other equipment to improve the Institute Tecnológico Boliviano in La Paz (\$300,000)	Laboratory and other equipment to improve the Instituto Tecnológico Boliviano in La Paz (\$300,000)	Project initiated	U.S. dollars	325,000	25,000	8,000	17,000	5/7/84 (6/7/84)	114% (1988-94)
Republic of Bolivia Public entity	Expansion of water systems of Oruro (\$8,000,000)	Expansion of water systems of Oruro (\$8,000,000)	New sources of water tapped for the project	U.S. dollars	2,600,000	256,000	12,000	222,000	3/4/85 (6/4/85)	29% (1988-89)

[illegible]



## SOCIAL PROGRESS TRUST FUND

Statement of Loans as of Dec. 31, 1969

Currency and borrower (country)	Project (purpose)	Project completion	Currency	Amount	Undersubscribed	Balance of loans repaid	Outstanding	Interest (annual)
BRAZIL, East of L)	Supervised farm credit for agricultural cooperatives in Brazil's Northeast		U.S. dollars	2,700,000			7/30/64 (5/3/65)	14% (1966-65)
Brazilian Public entity								
TOTAL LOANS TO BRAZIL, EXPRESSED IN U.S. DOLLARS				62,000,000	44,674,577	1,077,564	43,597,013	
<hr/>								
CHILE								
Republic of Chile	Expansion of water systems of Concepcion and Talcahuano	Project 75% complete	U.S. dollars	2,470,000	1,079,000	70,000	1,000,000	11/22/61 (5/16/62)
Public entity								29% (1963-62)
Corporación de Fomento de la Producción	Construction of 1,000 houses on 8 government farms presently being settled (52,146,000)	520 housing units completed; 1,140 under construction	U.S. dollars	1,250,000	390,275	20,000	340,275	12/21/61 (5/2/62)
Public entity								14% (1963-62)
Corporación de Fomento de la Producción	Supervised farm credit (52,170,000)	194,442 credits for 87,022,725 acres authorized	U.S. dollars	6,500,000	5,500,000	243,750	6,256,250	12/21/61 (5/16/62)
Public entity								14% (1963-62)
Chile Central de Abastos y Previsiones (Sociedad de Chile)	Construction of 2,000 houses for members of cooperatives (57,587,000)	Project completed; 3,057 housing units built	U.S. dollars	5,000,000	5,000,000	150,000	4,850,000	5/17/62 (6/13/62)
Public entity								14% (1963-60)
Promotora de Vivienda Económica U-estados y Compañía, C.P.A. (Corporación de la Vivienda)	Construction of 1,500 housing units in Villa del Mar (57,843,000)	1,500 housing units built	U.S. dollars	2,000,000	1,750,000	30,000	1,980,000	7/29/62 (1/22/63)
Private entity								14% (1964-60)
Universidad de Chile	Facilities for five regional colleges of the Universidad de Chile at Temuco, La Serena, Antofagasta, Talca and Osorno (58,067,000)	Construction program completed; 85% of equipment purchased	U.S. dollars	2,300,000	1,543,275	57,500	1,000,775	11/16/62 (12/10/62)
Corporación de Fomento de la Producción								14% (1963-77)
Public entity								
Corporación de Construcción Urbana "MAGISTER" S.A. (Corporación de Fomento de la Producción)	Construction of four middle and a first settlement for low-income districts of Santiago (54,176,000)	Project completed	U.S. dollars	600,000	600,000	45,000	555,000	1/31/63 (4/26/63)
Public entity								14% (1964-59)
Corporación de la Vivienda	Construction of 2,000 houses at Villa del Mar (55,000,000)	2,000 housing units built	U.S. dollars	2,000,000	1,500,000	90,000	1,410,000	10/24/63 (11/4/63)
Public entity								14% (1964-60)

Republic of Chile Public entity	Construction of water systems 300 rural communities (\$5,000,000)	45 systems completed; 50 under construction; studies of others in progress	Ecuador 1 U.S. dollars	2,500,000	{ 85,000 } { 736,144 }	40,000	781,144	3/12/64 (9/17/64)	2 1/2 % (1963-64)
Caja Central de Ahorros y Préstamos (Republic of Chile) Public entity	Construction of 2,500 additional homes for members of co- operatives (\$2,700,000)	1,279 housing units built; 1,194 in construction	Ecuador 1 U.S. dollars	5,000,000	{ 926,576 } { 4,073,424 }	150,000	4,850,000	7/26/64 (9/12/64)	1 1/4 % (1963-64)
Universidad de Chile (Corporación de Fomento de la Producción) Public entity	Expansion of facilities of School of Public Health of Universidad de Chile (\$2,500,000)	Project initiated	U.S. dollars	1,250,000	120,000	10,000	110,000	10/1/64 (10/31/64)	1 1/4 % (1963-65)
Universidad Católica de Chile (Corporación de Fomento de la Producción) Private entity	Expansion of basic sciences facilities of Universidad Cató- lica de Chile (\$3,800,000)	30 per cent of project equip- ment purchased; 54% of con- struction work completed	U.S. dollars	1,050,000	363,555	30,000	333,555	10/22/64 (11/2/64)	1 1/4 % (1963-64)
Instituto de Viviendas Populares Car- los (Corporación de la Vivienda) Private entity	Construction of 600 housing units for members of cooper- atives (\$2,500,000)		U.S. dollars	2,000,000				3/11/65	1 1/4 % (1963-66)
Instituto de Fomento Agrario (Republic of Chile) Private entity	Subdivision of estates in Con- tra Chile for 600 farm hand- lers (\$3,700,000)		U.S. dollars	1,500,000				11/4/65 (2/7/66)	1 1/4 % (1967-66)
<b>TOTAL LOANS TO CHILE EXPRESSED IN U.S. DOLLARS</b>									
				35,438,000	25,401,398	886,250	24,505,348		
<b>COLOMBIA</b>									
Establecimientos públicos Empresas Municipales de Cali (Republic of Colombia) Public entity	Expansion of water system of Cali (\$4,700,000)	Project completed	U.S. dollars	2,454,000	2,454,000	361,081	2,892,519	10/26/61 (4/16/62)	2 1/2 % (1963-62)
Instituto de Crédito Territorial (Republic of Colombia) Public entity	Construction of 13,824 housing units in various cities (\$20,340,000)	Project completed; 13,881 hous- ing units built	U.S. dollars	15,200,000	15,200,000	304,000	14,896,000	11/16/61 (2/2/62)	1 1/4 % (1963-62)
Empresas Municipales de Clientes (Republic of Colombia) Public entity	Expansion of water and sewer systems of Cúcuta (\$6,161,000)	Project 71% complete	U.S. dollars	5,183,000	4,061,733	264,000	3,827,733	11/22/61 (2/4/62)	2 1/2 % (1963-62)
Instituto Nacional de Fomento Municipal (Republic of Colombia) Public entity	Expansion of water and sewer systems in 367 commu- nities (\$19,512,000)	149 projects under construction; program 65% complete	U.S. dollars	8,500,000	5,227,062	170,000	5,067,062	7/12/62 (8/21/62)	2 1/2 % (1963-62)
Universidad Nacional (Republic of Colombia) Public entity	Establishment of Institute of Basic Sciences and equipping School of Agriculture (\$2,466,000)	Construction 80% complete; 80% of equipment purchased	U.S. dollars	1,100,000	662,518	20,000	682,518	4/26/64 (9/12/64)	1 1/4 % (1963-64)

SOCIAL PROGRESS TRUST FUND  
Statement of Loans as of Dec. 31, 1966

Country and Government (Borrower)	Project (Project Description)	Currency	Amount	Status of Loans		Approved (Original)	Unrepaid (Outstanding)
				Disbursed	Outstanding		
<b>COLOMBIA (Cont'd.)</b>							
Fondo de Desarrollo y Diversificación de Zonas Costeras Federación Nacional de Cafeteros Private entities	Five credit programs for agricultural diversification projects in Department of Cauca (\$11,530,000)	Pesos <sup>1</sup> U.S. dollars	7,000,000 { 2,763,654 }	300,000 { 2,863,654 }	175,000 { 2,868,654 }	5,217,941 (6/10/64)	14½ % (1965-64)
Instituto de Crédito Territorial (Republic of Colombia) Public entity	Construction of 7,565 houses in 28 Colombian cities (\$17,790,000)	Pesos <sup>1</sup> U.S. dollars	7,500,000 { 686,148 }	521,578 { 686,148 }	10,000 { 1,177,775 }	10/9/64 (9/30/65)	14½ % (1966-65)
Instituto de Crédito Territorial (Republic of Colombia) Public entity	Construction of 1,466 houses for members of labor unions (\$4,250,000)	Pesos <sup>1</sup> U.S. dollars	2,500,000 { 5,000 }	256,512 { 5,000 }	301,912 { 5,000 }	12/24/64 (9/30/65)	14½ % (1966-65)
Universidad del Valle (Republic of Colombia) Public entity	Preinvestment design and plans for new university campus in Cali (\$500,000)	Pesos <sup>1</sup> U.S. dollars	500,000 { 1,250 }	50,000 { 1,250 }	51,250 { 1,250 }	6/10/65 (12/15/65)	14½ % (1967-75)
<b>TOTAL LOANS TO COLOMBIA EXPRESSED IN U.S. DOLLARS</b>				49,537,000 { 32,269,045 }	1,361,081 { 36,965,794 }		
<b>COSTA RICA</b>							
Instituto Nacional de Vivienda y Urbanización Instituto de Costa Rica Public entity	Construction of 5,275 housing units in San José, Heredia, Limón and Alajuela (\$15,000,000)	U.S. dollars	3,499,652 { 3,499,652 }	87,152 { 3,499,652 }	87,152 { 3,412,500 }	6/10/61 (10/31/61)	14½ % (1965-60)
Servicio Nacional de Acueductos y Alcantarillado Public entity	Preinvestment studies for water and sewage projects in various communities (\$150,000)	U.S. dollars	100,000 { 100,000 }	100,000 { 100,000 }	15,000 { 85,000 }	12/12/63 (12/15/63)	2½ % (1965-71)
República de Costa Rica Public entity	Construction or improvement of 59 feeder roads 200 miles long (\$3,051,200)	Colones <sup>1</sup> U.S. dollars	4,000,000 { 1,331,200 }	250,000 { 1,331,200 }	120,000 { 1,461,200 }	5/21/64 (6/2/64)	14½ % (1965-64)
Servicio Nacional de Acueductos y Alcantarillado Public entity	Preinvestment study of project to expand sewage system of San José (\$255,000)	U.S. dollars	140,000 { 140,000 }	140,000 { 140,000 }	5,000 { 135,000 }	6/20/64 (7/2/64)	2½ % (1965-72)
Instituto de Tierras y Colonización (Republic of Costa Rica) Public entity	Settlement of 600 farm families in the Province of Limón (\$2,357,000)	U.S. dollars	1,300,000 { 102,400 }	102,400 { 102,400 }	5,000 { 97,400 }	10/7/64 (2/26/65)	14½ % (1966-65)
Instituto Nacional de Vivienda y Urbanización República de Costa Rica Public entity	Construction of 2,310 houses in rural and urban areas (\$4,465,000)	Colones <sup>1</sup> U.S. dollars	3,000,000 { 71,000 }	71,000 { 262,000 }	260,000 { 262,000 }	12/26/64 (2/26/66)	14½ % (1967-61)

TOTAL LOANS TO COSTA RICA EXPRESSED IN U.S. DOLLARS					
		12,830,852	5,774,873	232,132	5,944,721
<b>INTER-AMERICAN DEVELOPMENT BANK</b>					
Banco Agrícola (Dominican Republic)	Farm credit (\$5,700,000)	7,400 credits for \$5,523,000 re-forested	U.S. dollars	2,700,000	8/23/62 (10/17/62) (1953-52)
Public utility				240,000	
Dominican Republic	Construction of 3,825 houses in 6 cities and 76 rural communities (\$5,375,000)	976 houses built, 470 in construction	U.S. dollars	3,500,000	1,302,799 (12/28/62) (2/26/63) (1954-60)
Public utility	Expansion of water systems in La Romana and San Pedro de Macoris and installation of new ones at Pimental, Castillo and Naranja (\$2,200,000)	Equipment purchased; construction initiated	U.S. dollars	1,150,000	270,882 10,000 250,882 7/30/64 (1958-61) 2 1/4 %
<b>Inter-American Development Bank</b>					
SP (Dominican Republic)	Establishment of a General Studies Center and improvement in Schools of Engineering and Architecture, Agriculture and Veterinary Medicine, and Economics (\$2,900,000)	Project 40% complete	U.S. dollars	900,000	12/24/64 6/6/65 (1953-59) 1 1/4 %
Public utility	Construction of 750 houses for members of labor cooperatives (\$3,700,000)		U.S. dollars	1,735,000	4/15/65 1 1/4 % (1959-65)
Instituto Nacional de la Vivienda (Dominican Republic)					
Public utility					
<b>TOTAL LOANS TO DOMINICAN REPUBLIC EXPRESSED IN U.S. DOLLARS</b>					
		10,295,000	4,678,681	355,000	4,523,681
<b>EXTRAS</b>					
Banco Emprendedor de la Vivienda (Republic of Ecuador)	Construction of 6,527 housing units throughout the country (\$18,415,000)	4,207 houses built, 1,004 in construction	U.S. dollars	10,600,000	5,344,148 2/28/62 7/23/62 (1953-62) 1 1/4 %
Public utility				200,000	
Municipalidad de Quito (Republic of Ecuador)	Expansion of sewage system of Quito (\$2,525,000)	Project 94% complete	U.S. dollars	3,000,000	2,659,254 2/28/62 (7/10/62) 2 1/4 % (1953-61)
Public utility				50,000	
República de Ecuador	Farm credit, loans construction, access roads and other facilities for 220 rural communities in the Sierra Andina (\$3,451,000)	979 credits for \$1,985,232 authorized; agricultural extension services provided; 56 miles of irrigation canals built; 265 miles of farm access roads constructed; 302 housing credits extended; project 40% complete	U.S. dollars	1,215,000	781,427 45,000 656,427 1/31/63 (10/24/63) (1954-60) 1 1/4 %
Public utility					
<b>EXTRAS</b>					
Instituto Emprendedor de la Vivienda (Republic of Ecuador)	Settlement of 1,000 farm families in Santo Domingo de los Colorados (\$4,000,000)	661 farm credits for 14,050,000 acres authorized; 34 housing credits extended; 51% of roads built	U.S. dollars	2,000,000	1,452,706 60,000 1,402,706 1/31/63 (10/17/63) (1954-60) 1 1/4 %
Public utility					

# INTER-AMERICAN DEVELOPMENT BANK ACT AM

## SOCIAL PROGRESS TRUST FUND Statement of Loans as of Dec. 31, 1966

Country and Borrower (Government)	Project (Project Name)	Amount	Interest	Balance of Loans Outstanding	Interest Payment	Interest Payment
<b>EL SALVADOR (Cont'd.)</b>						
Republic of Ecuador Public utility	Construction of water and sewage systems in 18 communities (\$2,224,000)	5,500,000	2,475,258	68,750	2,406,508	2/19/63 (10/1/63) (1964-65)
Universidad de Guayaquil (Republic of Ecuador) Public utility	Establishment of Institute of Basic Sciences (\$200,000)	600,000	110,000	20,000	90,000	12/31/63 (2/6/64) (1965-64)
Universidad Central de Quito (Republic of Ecuador) Public utility	Establishment of Institute of Basic Sciences (\$840,000)	400,000	$\left\{ \begin{array}{l} 2,000 \\ 25,064 \end{array} \right.$	5,000	22,064	12/31/63 (6/1/64) (1965-65)
Municipalidad de Guayaquil (Republic of Ecuador) Public utility	Feasibility study of project to expand sewage system of Guayaquil (\$452,000)	260,000	46,650	46,650	7/30/64 (8/7/64) (1966-73)	
Centro de Reconversión Económica del Azuay, Cajas y Morona-Santiago (Republic of Ecuador) Public utility	Facilities for colonization project in the Province of Morona-Santiago (\$5,300,000)	3,000,000	300,000	300,000	8/19/65 (2/2/66) (1967-68)	
<b>TOTAL LOANS TO EL SALVADOR EXPRESSED IN U.S. DOLLARS</b>		<u>27,763,000</u>	<u>17,346,945</u>	<u>448,750</u>	<u>18,008,135</u>	
<b>EL SALVADOR</b>						
Banco Central de Reservas de El Salvador (Republic of El Salvador) Public utility	Form credit through rural co-operatives (\$2,000,000)	2,000,000	2,000,000	60,000	1,940,000	8/2/61 (11/24/61) (1962-61)
Banco Central de Reservas de El Salvador (Republic of El Salvador) Public utility	Expansion and improvement of sewage systems for San Salvador, Santa Tecla, Santa Ana, San Miguel and Sonsonate (\$1,400,000)	940,000	940,000	58,800	781,200	8/18/61 (11/17/61) (1962-62)
Banco Central de Reservas de El Salvador (Republic of El Salvador) Public utility	Water supply and sewage systems for 24 communities (\$1,000,000)	2,700,000	2,700,000	105,000	2,511,000	10/12/61 (11/17/61) (1962-62)
Banco de Fomento de El Salvador	Construction of 6,000 housing units throughout the country (\$12,911,000)	6,106,000	5,404,067	122,000	5,302,067	3/29/62 (8/7/62) (1963-63)

Administración Nacional de Acreditación y Acreditaciones (Republic of El Salvador) Public entity	Expenditure of water systems in 59 towns, of average systems in another 4, and of water 20 meter and 4 average systems completed, 43 meter and 5 con- crete systems under construction	Project revised to provide for water systems for 140 commu- nities and average systems for 5, 20 meter and 4 average systems completed, 43 meter and 5 con- crete systems under construction	Column 1 U.S. dollars	Column 2 U.S. dollars	10/7/64 (6/22/65)	25% (1964-65)
Instituto de Vivienda Urbana (Republic of El Salvador) Public entity	Construction of 4,415 housing units in San Salvador and other cities (\$11,101,000)	448 houses built; 846 under con- struction	Column 1 U.S. dollars	Column 2 U.S. dollars	4/22/65 (10/7/65)	15% (1962-64)
TOTAL LOANS TO EL SALVADOR EXPRESSED IN U.S. DOLLARS						
GUATEMALA						
Banco de Guatemala Public entity	Construction of water and average systems in various cit- ies (\$2,126,000)	23 meter and 10 average systems completed, 12 average systems under construction; project 85% complete	U.S. dollars	U.S. dollars	3/9/62 (8/2/62)	25% (1962-64)
Republic of Guatemala Public entity	Construction of 5,765 housing units (\$10,794,000)	561 houses built; 1,770 under construction	U.S. dollars	U.S. dollars	8/2/62 (10/1/62)	15% (1964-65)
Republic of Guatemala Public entity	From credit (\$2,500,000)	2,124 credits for \$1,250,000 re- leased	U.S. dollars	U.S. dollars	2/14/63 (10/4/63)	15% (1964-65)
Republic of Guatemala Public entity	Construction of 21 meter and 7 average systems in various cities (\$4,530,000)		U.S. dollars	U.S. dollars	12/24/64 (8/11/65)	25% (1962-64)
TOTAL LOANS TO GUATEMALA EXPRESSED IN U.S. DOLLARS						
HONDURAS						
Banco Nacional de Fomento (Banco Central de Honduras) Public entity	From credit (\$3,575,000)	14,425 credits for \$3,795,332 authorized; 114 houses built; project completed	U.S. dollars	U.S. dollars	8/20/62 (32/1/62)	15% (1962-65)
Instituto de Vivienda Republic of Honduras Public entity	Construction of 716 housing units in Tegucigalpa (\$1,400,000)	752 housing units built; project completed	U.S. dollars	U.S. dollars	12/6/62 (5/7/63)	15% (1964-65)
Servicio Autónomo Nacional de Ac- reditación y Acreditaciones (Republic of Honduras) Public entity	Expenditure of water systems of Tegucigalpa (\$2,700,000)	Project ready to be initiated	U.S. dollars	U.S. dollars	3/7/63 (4/6/63)	25% (1964-65)
Republic of Honduras Public entity	From credit ready with a length of 20 miles in the San Valley (\$2,527,000)	Project 60% complete	U.S. dollars	U.S. dollars	12/21/62 (8/20/63)	15% (1962-64)
Servicio Autónomo Nacional de Ac- reditación y Acreditaciones (Republic of Honduras) Public entity	Improvement of water systems for 6 communities (\$200,000)	4 systems under construction; project 42% complete	U.S. dollars	U.S. dollars	10/3/64 (10/20/64)	25% (1964-65)
TOTAL LOANS TO HONDURAS EXPRESSED IN U.S. DOLLARS						
				7,052,000	5,318,250	250,000
				5,068,250		

**SOCIAL PROGRESS TRUST FUND**  
**Statement of Loans as of Dec. 31, 1966**

Country and Borrower (Summary)	Purpose (Project Category)	Progress Achieved	Currency	Status of Loans		Approved (Original)	Interest (Outstanding)
				Unallocated	Outstanding		
<b>MEXICO</b>							
Nacional Financiera, S.A. (United Mexican States) Public entity	Construction of water supply projects for Merida and 11 other towns in Yucatan and sewerage system in Chetumal in territory of Quintana Roo (\$15,380,000)	Water projects completed; sewer age system in final stage; project 97% finished	U.S. dollars	8,516,175	393,246	8,122,929 (6/15/62)	2% (1964-41)
Nacional Financiera, S.A. (United Mexican States) Public entity	Irrigation of 12,500 of new lands in Southern Yucatan (\$2,740,000)	Project 48% complete	U.S. dollars	779,569	60,571	719,298 (6/15/62)	14% (1964-41)
Instituto Mexicano de Investigaciones Tecnologicas, A.C. (Nacional Financiera, S.A.) Public entity	Purchase of laboratory and other equipment for applied research center in Mexico City (\$400,000)	Project completed	U.S. dollars	400,000	97,500	302,500 (6/19/62)	14% (1963-77)
Nacional Financiera, S.A. (United Mexican States) Public entity	Construction of 555 irrigation and drainage works: the Lerma-Chapala-Santiago Basin in West Central Mexico (\$5,000,000)	89 studies made; 24 projects completed; 11 under construction; 5 wells built	U.S. dollars	1,600,069	114,000	1,486,069 (12/26/62)	14% (1964-62)
Nacional Financiera, S.A. (United Mexican States) Public entity	Housing, water and sewerage facilities for a land settlement program known as "Linda in Soledad de Telesco" (\$10,220,000)	Project initiated in two localities; 24 houses built; 57 under construction	U.S. dollars	277,412		277,412 (6/20/63)	14% (1966-82)
Nacional Financiera, S.A. (United Mexican States) Public entity	Construction of 23,000 housing units throughout Mexico (\$60,000,000)	71,466 houses built; 2,200 under construction	U.S. dollars	3,432,089	20,000	3,412,089 (6/27/63)	14% (1965-94)
Nacional Financiera, S.A. (United Mexican States) Public entity	Construction of buildings and acquisition of equipment for national agricultural center at Chapultepec near Mexico City (\$9,475,000)	Library building completed; projects at regional centers 80% complete	Pesos <sup>1</sup> U.S. dollars	494,226 777,246	8,821	1,292,255 (6/15/64)	14% (1964-68)
Nacional Financiera, S.A. (United Mexican States) Public entity	Expansion of water supply and sewerage systems of Querétaro and Durango (\$3,040,000)	Project 80% complete	Pesos <sup>1</sup> U.S. dollars	284,000 315,976	40,000	488,675 (6/23/63)	2% (1964-63)
<b>TOTAL LOANS TO MEMBERS EXPRESSED IN U.S. DOLLARS</b>				<b>35,854,089</b>	<b>14,994,895</b>	<b>794,338</b>	<b>18,470,537</b>





**SOCIAL PROGRESS TRUST FUND**  
Statement of Loans as of Dec. 31, 1968

Country and Intervenor (Borrower)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Interest Subsidized	Balance of Loans Required	Outstanding	Approved (Signed)	Interest Guaranteed
<b>PERU</b>									
Republic of Peru Public entity	Construction of 22,000 homes and installation of water services in 27,343 existing homes (\$46,700,000)	Project in final stage	U.S. dollars	22,000,000	22,000,000	570,000	22,200,000	10/19/61 (11/26/61)	1 1/2 % (1962-61)
Cooperativa de Crédito Central del Perú (Republic of Peru) Private entity	Farm, housing and water supply credits (\$2,000,000)	242 housing, 51 sanitation and 151 farm credits approved; project completed	U.S. dollars	1,000,000	1,000,000	200,000	800,000	10/19/61 (10/27/61)	1 1/2 % (1962-62)
Asociación Mutual de Crédito para la Vivienda "El Pueblo" (Republic of Peru) Public entity	Construction of some 400 homes in Lima (\$2,000,000)	352 housing units built; project completed	U.S. dollars	1,000,000	1,000,000	125,000	875,000	3/15/62 (5/1/62)	1 1/2 % (1963-62)
Universidad Nacional Mayor de San Marcos (Republic of Peru) Public entity	Establishment of a postgraduate Department of Basic Sciences (\$3,000,000)	Construction work completed; 12.5% of equipment acquired; 91% of bibliographic material on order; technical assistance completed	U.S. dollars	1,500,000	420,502	75,194	353,708	11/15/62 (12/17/62)	1 1/2 % (1963-77)
Republic of Peru Public entity	Installation of water supply systems for 150 rural communities throughout Peru (\$5,000,000)	Project 95% completed; 113 systems in operation and 40 systems due to be completed 1967	Soles 1 U.S. dollars	1,650,000 { 355,598 1,294,378 }	40,000	1,545,976	3/19/64 (2/24/64)	2 1/2 % (1965-64)	
Universidad Agraria (Republic of Peru) Public entity	Construction and equipment for expansion of agricultural university (\$4,700,000)	Construction 25% complete	Soles 1 U.S. dollars	2,000,000 { 478,454 205,061 }	20,000	602,317	4/20/64 (5/1/64)	1 1/2 % (1965-64)	
Republic of Peru Public entity	Construction of 7 irrigation projects in Peruvian Sierra with an area of 42,500 acres (\$5,500,000)	Project nearly 50% complete	Soles 1 U.S. dollars	3,500,000 { 408,943 1,170,346 }	15,000	1,008,100	10/6/64 (11/6/64)	1 1/2 % (1965-60)	
Universidad Nacional de Ingeniería (Republic of Peru) Public entity	Construction of buildings, acquisition of equipment and expansion of library to amplify and improve national engineering university (\$3,100,000)	Project initiated	Soles 1 U.S. dollars	2,500,000 { 10,000 290,000 }	10,000	190,000	10/6/64 (11/5/64)	1 1/2 % (1965-64)	
Asociación Mutual de Crédito para la Vivienda "El Pueblo" Private entity	Construction of 425 housing units in Lima-Callao area (\$1,000,000)	425 housing units in construction	Soles 1 U.S. dollars	1,000,000 { 20,000 3,000 }	41,000	70,000	7/8/68 (8/20/68)	1 1/2 % (1967-69)	

Republic of Peru Public entity	Construction or expansion of water and sewage systems in 100 Peruvian communities (\$13,087,000)	27 systems in construction; studies on others underway	Sales <sup>1</sup> U.S. dollars	208,427 8,100,000 332,406	9/9/65 (2/21/66)	2% (1967-61)
TOTAL LOANS TO PERU EXPRESSED IN U.S. DOLLARS						
46,290,000 29,944,277 1,655,194 29,000,000						
<b>GUATEMALA</b>						
Gobierno del Departamento de Monte- video Public entity	Expansion of sewage system in Montevideo (\$12,000,000)	Project 23% complete	U.S. dollars	2,500,000 381,516 12,500 369,016	12/7/61 (5/21/63)	2% (1966-69)
Republic of Uruguay Public entity	Construction of 4,100 housing units in Departments of Montevideo and Soriano (\$15,591,000)	500 houses built; 1745 under construction	U.S. dollars	8,000,000 2,012,292 40,500 1,971,792	9/20/62 (5/21/63)	1% (1966-61)
TOTAL LOANS TO GUATEMALA EXPRESSED IN U.S. DOLLARS						
10,500,000 2,393,798 53,000 2,340,798						
<b>VENEZUELA</b>						
Banco Obra de Venezuela (Republic of Venezuela) Public entity	Construction of 21,000 rural houses throughout Venezuela (\$45,550,000)	22,703 houses built; project completed	U.S. dollars	12,000,000 2,332,000 9,668,000	8/3/61 (11/15/61)	1% (1962-61)
Republic of Venezuela Public entity	Construction of water systems for 130 rural communities of under 5,000 inhabitants (\$50,000,000)	Project completed	U.S. dollars	9,900,000 3,999,002 1,469,002 8,510,000	12/7/61 (5/7/62)	2% (1963-62)
Instituto Nacional de Obras Sanitarias (Republic of Venezuela) Public entity	Construction of water systems for 50 cities of from 5,000 to 10,000 inhabitants (\$27,000,000)	53 systems completed; 8 more under construction; project 9% complete	U.S. dollars	10,000,000 9,254,000 1,253,000 8,071,573	12/14/61 (5/3/62)	2% (1963-62)
Banco Obra de Venezuela (Republic of Venezuela) Public entity	Construction of 5,710 housing units in Caracas and other main cities in Venezuela (\$14,955,000)	4,895 housing units built; 815 under construction	U.S. dollars	10,000,000 7,468,002 501,241 6,966,821	3/29/62 (6/8/62)	1% (1963-64)
Instituto Agrario Nacional (Republic of Venezuela) Public entity	Construction of facilities for 124 land settlement projects in 18 Venezuelan states (\$20,070,000)	8 settlement projects about 50- 60% complete; total cost is \$7,075,739 million. Land construction going forward on 3 of these	U.S. dollars	10,000,000 1,000,371 268,395 740,595	11/6/62 (12/15/62)	1% (1963-62)
Ministerio de Obras Corporación Venezolana de Fomento Public entity	Improvement of instruction in basic sciences at Central, Jesuita and Barrios Altos centers of Universidad de Oriente (\$2,000,000)	25% of equipment acquired; 50% of bibliographic material on order; 11% of technical in- struction plan completed	U.S. dollars	1,000,000 597,295 50,000 547,295	4/18/63 (10/17/63)	1% (1964-70)

## SOCIAL PROGRESS TRUST FUND

Statement of Loans as of Dec. 31, 1965

Country and Borrower (Borrower)	Purpose (Project Cost)	Progress Achieved	Currency	Amount	Interest	Balance of Loans Requested	Outstanding	Original (Original)	Interest (Interest)
<b>VENEZUELA (Cont'd.)</b>									
Republic of Venezuela Public utility	Construction of water systems for 300 rural communities (\$50,000,000)	55 water systems completed; 25 water systems expended	Bolívares 1 U.S. dollars	2,000,000 8,000,000 10,000,000	277,302 2,452,875 2,730,177	277,302 2,452,875 2,730,177	277,302 2,302,875 2,880,177	12/24/64 6/29/63	2% (1964-65)
<b>Total in U.S. dollars</b>									
Republic of Venezuela Public utility	Construction of 18,000 rural houses throughout Venezuela (\$1,350,000)	13,000 housing units built; 1,200 under construction	Bolívares 1 U.S. dollars	10,000,000	{ 4,352,737 2,560,216 }	80,000	6,812,953	4/22/65 7/20/63	1 1/4% (1964-65)
<b>TOTAL LOANS TO VENEZUELA EXPRESSED IN U.S. DOLLARS</b>									
				72,999,862	54,651,416	6,654,351	43,996,565		
<b>REGIONAL</b>									
Costa Rica (Republic of Costa Rica)	Expansion of facilities for teaching basic sciences at five Central American universities (\$10,410,000)	Project in Costa Rica 50% completed; in Guatemala 15%; Honduras 50%, and in Nicaragua 90%	U.S. dollars	765,000	363,000	52,400	330,000	6/17/63	(1964-65)
<b>TOTAL LOANS TO COSTA RICA</b>									
				765,000	363,000	52,400	330,000	6/17/63	(1964-65)
<b>EL SALVADOR</b>									
El Salvador (Republic of El Salvador)			U.S. dollars	675,000				(12/16/60)	(1964-65)
<b>GUATEMALA</b>									
Guatemala (Republic of Guatemala)			U.S. dollars	765,000	121,940	20,867	169,553	6/17/63	(1964-65)
<b>HONDURAS</b>									
Honduras (Republic of Honduras)			U.S. dollars	350,000	135,763	23,277	132,586	6/17/63	(1964-65)
<b>NICARAGUA</b>									
Nicaragua (Republic of Nicaragua)			U.S. dollars	230,000	186,772	27,435	163,297	6/17/63	(1964-65)
<b>TOTAL REGIONAL LOANS EXPRESSED IN U.S. DOLLARS</b>									
				2,695,000	667,475	134,942	796,436		
<b>NET TOTAL LOANS EXPRESSED IN U.S. DOLLARS</b>									
				361,695,866	266,673,266	13,176,527	260,546,579		

**Notes:**

- A) In addition to the interest rate above, all loans have a service charge of  $\frac{1}{2}$  of 1% on principal amounts outstanding.
- B) All of the loans have been approved by the Bank, but certain loans have not become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank.
- C) Of the unfurnished balance of loans held by the Bank, the Bank has entered into irrevocable commitments to disburse \$7,000,000.

<sup>1</sup> Expressed in U.S. dollar equivalent.



#### Part IV OTHER RESOURCES Operations/Fiscal Year 1966

##### Resources

In 1966 the Bank made substantial progress in its efforts to mobilize additional resources for Latin America's economic and social development from non-member countries. As a result of these efforts the Bank borrowed or arranged to borrow \$53,433,798 from non-member countries and agreed to administer an additional \$27,359,099 in trust for non-member countries.

In addition the Bank carried out various discussions at both the bilateral and the multilateral level in its continuing efforts to get even more support for Latin America's development efforts from non-member countries. A highlight in this connection was the visit by the President of the Bank to the headquarters of the European Economic Community (EEC) in Brussels in November 1966.

As it had in similar contacts with the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), the Bank outlined a variety of mechanisms to the EEC through which greater European cooperation for Latin America's development might be achieved utilizing the services of the Inter-American Bank. These techniques included readier access for the Bank's securities in European capital markets, parallel financial operations with the Bank in selected development projects, the establishment of a European Investment Fund for Latin America to be administered by the Bank; participation by European countries in providing funds for the Bank's Preinvestment Fund

for Latin American Integration, and closer cooperation in the training, research, technical and informational activities of the Bank's Institute for Latin American Integration in Buenos Aires.

The Bank's borrowings in non-member countries included long-term bonds more equivalent to \$24 million in Italy and in \$11.4 million in Switzerland; short-term bond sales of \$3 million in Israel and \$3 million in Spain, and a loan of \$10 million arranged in Japan. These resources are incorporated into the Bank's ordinary capital resources for use in making ordinary loans and are described on pages 13 and 14.

The funds which the Bank received in administration included:

- An additional 10 million Canadian dollars (equivalent to \$9,259,259) provided by Canada.
- A fund of 4,142,800 pounds sterling (\$11,599,840) which the Bank agreed to administer for the United Kingdom.
- A \$5 million fund which the Bank agreed to administer for Sweden.
- A loan of \$1.5 million from Germany which the Bank is administering for the third and final phase of the program to rehabilitate Bolivia's national finances.

As of Dec. 31, 1966, the Bank had made arrangements to administer funds or to cooperate in parallel or independent financing operations with the Governments of Canada, the Netherlands, Sweden, the United Kingdom and Germany. These arrangements are described below:

FINANCIAL ARRANGEMENTS  
WITH NON-MEMBER COUNTRIES  
(1961-66)

Country	Arrangement	Date	Amount and Currency	Dollar Equivalent
Canada	Administration	12/4/64	C\$10,000,000	\$ 5,767,278
Canada	Administration	6/30/65	C\$10,000,000	5,769,258
Canada	Administration	7/25/66	C\$10,000,000	6,528,529
Canada	Partial or temporary	6/28/65	C\$15,000,000	13,888,888
Germany	Financial Agency	8/10/61	8,000,000 marks	2,600,000
Germany	Financial Agency	10/30/61	7,300,000 marks	1,710,000
Germany	Financial Agency	2/15/64	11,800,000 marks	2,960,000
Germany	Financial Agency	8/21/66	8,300,000 marks	3,350,000
Germany	Bank loan	7/7/64	60,000,000 marks	15,000,000
Israel	Short-Term Loans	4/15/64	\$5,000,000	5,000,000
Italy	Bank loan	4/8/62	15,000,000,000 lire	24,000,000
Italy	Bank loan	1/28/66	15,500,000,000 lire	24,000,000
Japan	Direct Loan	8/27/66	3,600,000,000 yen	10,000,000
Spain	Direct Loan	8/30/65	\$12,500,000	12,500,000
Tunisia	Loan Participation	9/30/65	\$ 7,500,000	7,500,000
Tunisia	Short-Term Loans	4/15/66	\$5,000,000	5,000,000
Sweden	Administration	12/27/66	20,000,000	3,600,000
Switzerland	Bank loan	6/15/65	50,000,000 Swiss francs	11,417,798
The Netherlands	Partial or temporary	8/20/65	26,000,000 guilders	10,000,000
United Kingdom	Bank loan	9/2/64	£ 3,000,000	4,800,000
United Kingdom	Administration	4/13/65	£ 4,182,895	11,595,440
TOTAL				\$197,130,394

## CANADA

IN ADMINISTRATION: Under an agreement signed between Canada's External Aid Office and the Bank Dec. 4, 1964, the Bank began administering initial resources of 10 million Canadian dollars to finance economic, technical and educational assistance projects in Latin America. These were increased to 20 million Canadian dol-

lars Sept. 30, 1965, and to 30 million Canadian dollars July 22, 1966.

The Bank uses these resources to make loans for periods ranging up to 50 years. Loans may be extended free of interest or on such other concessional terms as are agreed to by both parties. The Bank charges a commission of  $\frac{1}{2}$  of 1 per cent annually, payable in Canadian currency, on

## OTHER RESOURCES

amounts committed or outstanding, to compensate it for services rendered. The resources of the loans are used to purchase goods and services in Canada. The Bank has the primary responsibility for selecting, processing and approving loan projects, keeping the Canadian Government informed at the various stages of project consideration. During 1966 the Bank approved five loans from the Canadian resources which it administers. These are described in the section beginning on page 159.

**PARALLEL OR INDEPENDENT FINANCING:** Under another agreement entered into June 28, 1965, Canada's Export Credits Insurance Corporation (ECIC) agreed to make available 15 million Canadian dollars for long-term financing of exports of Canadian capital goods and related technical assistance services, for use in economic development projects in Latin America in cooperation with the Bank. Projects for which such funds may be utilized involve parallel financing by the Bank and ECIC of projects proposed by the Bank or ECIC and independent financing by ECIC of projects submitted or approved by the Bank. These funds will be employed by ECIC in extending credits for terms ranging up to 20 years at commercial rates of interest.

## THE NETHERLANDS

On Sept. 30, 1965, the Bank entered into an agreement with the Netherlands under which that nation pledged to make available 36 million guilders (equivalent to \$10 million) for financing economic development projects in Latin America in cooperation with the Bank. Projects subject to financing with these funds involve parallel financing by the Bank and the Netherlands of projects proposed by the Bank or the Netherlands and independent financing by the Netherlands of projects proposed or approved by the Bank.

The funds are loaned for terms of up to 25 years, at interest rates not exceeding those applicable to loans made by the Bank from its ordinary capital resources. The loans are extended by the Netherlands Investment Bank for Developing Countries (*De Nederlandsche Investeringsbank voor Ontwikkelingslanden N.V.*). Up to 80 per cent of the resources may be used in financing goods and services supplied by Netherlands firms. The remaining 20 per cent is available for payment

of local costs in the country where the project is undertaken.

Under this agreement, the Netherlands Government in 1966 independently extended four loans for a total of \$5,530,000 in guilders. Two of these loans, totaling \$2.1 million, were extended to *Esmeraldas Maderal S.A. Brazil* for a plywood mill located in the Amazon region of that nation; one for \$1 million was extended to the Ministry of Agriculture in Peru for the development of livestock and dairy lands, and another for \$220,000 was made to the University of Montevideo in Uruguay for the acquisition of equipment for the hospital center of its School of Medicine.

## GERMANY

Under an agreement signed in 1960, and supplemented by subsequent provision, the Federal Republic of Germany is participating with the United States and the Bank in financing a program to rehabilitate Bolivia's national tin mines. The German funds, which are provided through the *Kustammal für Wiederaufbau*, the agency in charge of the nation's foreign aid programs, are administered by the Bank as trustee agent.

During 1966 the German Government provided an additional \$1.5 million for the program (page 60) bringing its total commitments as of Dec. 31, 1966, to \$21 million. The German resources have been loaned by the Bank without its guarantee for terms of up to 10 years at interest rates of 4 per cent per annum.

## UNITED KINGDOM

On April 18, 1966, the Government of the United Kingdom signed an agreement with the Bank to place 8,142,800 pounds sterling (equivalent to \$11,599,840) under Bank administration to finance economic assistance projects in Latin America. The Bank will use these resources in pounds sterling for projects requiring amortization terms ranging from 15 to 25 years at interest rates approximating 6 to 7 per cent, the precise figure to be set in each case. The Bank will charge 3½ of net per cent annually as commitment fee and service charge. The proceeds will be used to purchase goods and services in the United Kingdom. The Bank will have the primary responsibility for selecting, processing and approving loan projects but will consult with the British Government during the various stages of project consideration.

PORT OF SCAQUITA in El Salvador is being modernized and expanded with help of loans extended from the Canadian resources which the Bank administers.





## SWEDEN

On Dec. 27, 1966, the Bank entered into an agreement with the Government of Sweden to administer a \$3 million Swedish Development Fund for Latin America. The Bank will use the Fund to extend loans, jointly with loans from its own ordinary capital resources, to finance specific projects of high development priority to foster the economic and social development of the Bank's Latin American member countries.

Loans from these resources will be made to national governments or governmental agencies and, with the guarantee of a national government, to government-owned corporations and municipal entities as well as to development institutions or similar agencies. Loans will be used to cover between 25 and 50 per cent of the external financing extended in foreign currencies for specific projects; the remaining foreign currency costs being covered by loans from the Bank's ordinary capital resources. Limited portions of the Fund may be used for the payment of local costs.

Loans will be extended in dollars and will be repayable in dollars. Loan terms will generally be the same as those applied by the Swedish Government to development credits. These currently provide for maturities of 20 years, grace periods of 5 years, and interest of 2 per cent per annum. The Bank may also charge a commission of up to  $\frac{1}{2}$  of 1 per cent per annum. The loans will be unsecured and may be used for international procurement in accordance with the Bank's regular lending policies. Swedish suppliers will be given adequate opportunities of bidding for goods and services supplied for these projects.

## Loans

During 1966 the Bank authorized five loans equivalent to \$3,940,741 (4,256,000 Canadian dollars) with the resources which it administers for the Canadian Government. This brought the cumulative total extended from those resources to seven loans aggregating the equivalent of \$8,107,407 (8,756,000 Canadian dollars).

The five loans authorized in 1966 included one for \$1.5 million (along with another for \$10.8 million from the Fund for Special Operations) extended to the *Corporación Boliviana de Fomento* for lending in Bolivia; three, \$700,000, \$500,000 and \$500,000, to help establish preinvest-

ment funds respectively in Argentina, Mexico and Peru (all accompanied by similar loans from the Fund for Special Operations), and one for \$741,000 to the Republic of Paraguay to finance highway feasibility studies in Paraguay.

The loan for industrial credit was extended for a term of 30 years; the others for 50 years. In each case the loans, which were made in Canadian dollars, carried a service charge payable to Canada of  $\frac{1}{4}$  of 1 per cent per annum on principal amounts outstanding. In addition, a commission of  $\frac{1}{2}$  of 1 per cent, payable to the Bank, was charged.

Three of the loans were extended directly to governments; the other two were extended to governmental agencies and carried governmental guarantees.

## INDUSTRY

## BOLIVIA

INDUSTRIAL AND MINING CREDIT  
\$1.5 million 30-year loan of Mar. 10, 1966  
(1,670,000 Canadian dollars)

Borrower: *CORPORACIÓN BOLIVIANA DE FOMENTO*

This loan, along with another for \$10.8 million from the Fund for Special Operations (page 61), will enable the *Corporación Boliviana de Fomento* to extend credits to establish new or enlarge existing industrial and mining projects designed to raise Bolivia's production by some \$48 million annually.

Most of the industrial loans will be devoted to the chemical, wood and construction industries. This loan will be used to pay for goods and services obtained in Canada. It is guaranteed by the Republic of Bolivia.

## PREINVESTMENT

## ARGENTINA

\$700,000 50-year loan of Sept. 13, 1966  
(756,000 Canadian dollars)

Borrower: *REPUBLIC OF ARGENTINA*

This loan, along with another for \$4.3 million extended from the Fund for Special Operations (page 70), will cover 67 per cent of the \$7.5 million total cost of a preinvestment study program being carried out by Argentina's national planning agency, the *Comisión Nacional de Desarrollo*.

The program calls for the execution of general sectoral and economic studies, as well as the preparation of feasibility studies



## OTHER RESOURCES

for specific programs and projects included in Argentina's National Development Plan. The resources of this loan will be used to pay for the services of Canadian consultants.

## MEXICO

\$900,000 30-year loan of Dec. 28, 1966  
(\$40,000 Canadian dollars)  
Borrower: NACIONAL FINANCIERA, S.A.

During the last 15 years, Mexico has experienced one of the highest rates of sustained economic growth in Latin America. Its gross national product more than doubled between 1950 and 1965 and during this period the value of agricultural production at constant prices rose by 85 per cent and that of industrial production by 200 per cent.

This record was made possible, in large measure, by sizable public investments in such economic infrastructure as highways, hydroelectric power and irrigation systems and by public and private investments in manufacturing and in farm production for export. This effort was accompanied by large internal investments for the preparation of preinvestment studies. Nevertheless, additional investments must be made in the preinvestment field if Mexico's economic and social development is to continue at a rapid rate.

This loan, along with one for \$5 million from the Fund for Special Operations (page 71), will provide external resources to accelerate the preparation of preinvestment studies in priority fields. This loan will be used to pay for Canadian equipment and services involved in the preparation of such preinvestment studies. The loan is guaranteed by the United Mexican States.

## PERU

\$500,000 30-year loan of Sept. 19, 1966  
(\$40,000 Canadian dollars)  
Borrower: REPUBLIC OF PERU



General road network  
Highway study area  
Highway study area  
(thick line)

This loan supplements another for \$3.1 million extended from the Fund for Special Operations (page 72) in helping the Republic of Peru to establish a fund to finance preinvestment studies. The project is being carried out by the *Fondo de Fianciamiento de Elaboración de Proyectos de Inversión (FINEPI)*, a governmental agency established in 1965 to foster preinvestment activities.

FINEPI will utilize the proceeds of this loan to extend credit to state agencies, autonomous organizations and private enterprises to finance the performance of feasibility studies on specific projects and sectoral studies for economic and social development to be carried out by Canadian consultants or consulting firms.

## PARAGUAY

HIGHWAY STUDIES  
\$740,740 30-year loan of June 21, 1966  
(\$50,000 Canadian dollars)  
Borrower: REPUBLIC OF PARAGUAY

The lack of adequate transportation facilities has been one of the principal handicaps to the economic development of Paraguay. To overcome this handicap, the Government of Paraguay has placed high priority in recent years on the transportation sector, spending some 40 per cent of its national budget on highway construction.

In 1938 there were only 136 miles of roads in the country, a figure which rose to 734 in 1956 and to 2,594 in 1966. Of the latter only 261 miles are paved.

This loan will enable Paraguay to carry out feasibility and design studies to convert sections of two of its principal trans-country roads into first-class highways. One is a 124-mile stretch, immediately beyond Asunción, of the Trans-Chaco Highway, which penetrates the western part of the nation into Bolivia; the other is a 133-mile route from Concepción, some 62 miles north of Asunción, to Pedro Juan Caballero on the Brazilian border.

The vast Chaco area, which is virtually uninhabited, contains great forest reserves and vast stock raising areas. The eastern part of Paraguay through which the Concepción-Pedro Juan Caballero road passes contains rich farming, ranching and forestry lands. The studies are also significant in terms of Paraguay's communications with its neighboring countries.

# INTER-

## Statement of Loans as of Dec. 31, 1968 CANADIAN RESOURCES

Country and Borrower (Guarantor)	Purpose (Project Cost)	Currency	Amount	Approved (Signed)	Maturity
<b>ARGENTINA</b>					
Republic of Argentina Public entity	Establishment of pre-investment fund for preparation of specific projects and general studies (\$1,100,000)	Canadian dollars Expressed in U.S. dollars	756,000 700,000	9/15/66	1977-2017
<b>BOLIVIA</b>					
Corporación Boliviana de Fomento (Republic of Bolivia) Public entity	Industrial and mining credits (\$2,594,000)	Canadian dollars Expressed in U.S. dollars	1,620,000 1,500,000	11/10/66	1974-87
<b>ECUADOR</b>					
Republic of Ecuador Public entity	Preinvestment studies for development of Guayas River Basin (\$1,870,000)	Canadian dollars Expressed in U.S. dollars	1,260,000 1,166,667	11/24/65 8/5/66	1976-2016
<b>EL SALVADOR</b>					
Comisión Ejecutiva Portuaria Autónoma de El Salvador (Republic of El Salvador) Public entity	Expansion of port facilities of Acajutla (\$6,654,000)	Canadian dollars Expressed in U.S. dollars	3,240,000 3,000,000	6/10/65 (5/5/66)	1971-2001
<b>MEXICO</b>					
Nacional Financiera, S.A. (United Mexican States) Public entity	Establishment of pre-investment fund for preparation of specific projects and general studies (\$785,000)	Canadian dollars Expressed in U.S. dollars	540,000 500,000	12/28/66	1977-2017
<b>PARAGUAY</b>					
Republic of Paraguay Public entity	Highway feasibility studies (\$1,000,000)	Canadian dollars Expressed in U.S. dollars	800,000 740,740	6/23/66 (11/9/66)	1977-2016
<b>PERU</b>					
Republic of Peru Public entity	Establishment of pre-investment fund for preparation of specific projects and general studies (\$300,000)	Canadian dollars Expressed in U.S. dollars	540,000 500,000	9/29/66	1977-2017
TOTAL LOANS IN CANADIAN DOLLARS			8,756,000		
TOTAL LOANS EXPRESSED IN U.S. DOLLARS			8,187,407		

### Notes:

- All loans have been approved by the Bank, but they have not become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank.
- All of the loans have been extended interest free, but carry a service charge of  $\frac{1}{2}$  of 1% and a commission of  $\frac{1}{2}$  of 1%, both payable in Canadian dollars.

## GENERAL APPENDIX I

GOVERNORS AND  
ALTERNATE GOVERNORS \*

COUNTRY	GOVERNOR	ALTERNATE
ARGENTINA	Pedro Eduardo Real	Carlos Santiago Brignone
BOLIVIA	Rolando Pardo Rojas	Julio Sanjines Goytia
BRAZIL	Antonio Dellim Neto	Ray Aguilar da Silva Leme
CHILE	Sergio Molina	José Zabala
COLOMBIA	Abdón Espinosa Valderrama	Eduardo Ariza Robledo
COSTA RICA	Rodolfo Lara	Raúl Hues
DOMINICAN REPUBLIC	Diógenes H. Fernández	Luis María Guerrero Gómez
ECUADOR	Galo Pico Mantilla	José A. Carrón
EL SALVADOR	Manuel Rafael Arce	Guillermo Hidalgo Gilardi
GUATEMALA	Roberto Barrillas Izaguirre	Alberto Fuentes Mohr
HAITI	Marcel Daumec	
HONDURAS	Manuel Acosta Bonilla	Roberto Ramírez
MEXICO	Antonio Ortiz Mena	Rodrigo Gómez
NICARAGUA	Ernesto Navarro Richardson	Francisco J. Lainez
PANAMA	David Sanudo A.	Bernardo Q. Gallo
PARAGUAY	César Barrientos	César Romeo Acosta
PERU	Sandro Mariátegui	Ramón Rosellina Serrano
UNITED STATES	Henry H. Fowler	William S. Gaud
URUGUAY	Carlos Vegg Garzón	Gervasio Pinedas Belgrano
VENEZUELA	Benito Raúl Lozada	Héctor Hurtado

\* As of March 27, 1967.

GENERAL APPENDIX 2

		NUMBER OF VOTES	PER- CENTAGE	
Diego Calle Restrepo	Elected by:			
COLOMBIA	CHILE	6,299	3.50	
Carlos Pérez de la Cova (Alternate)	COLOMBIA	6,294	3.50	
VENEZUELA	VENEZUELA	12,162	6.77	
		<u>24,755</u>	<u>13.77</u>	
Francisco Norberto Castro	Elected by:			
ARGENTINA	ARGENTINA	22,583	12.57	
Alfonso Grados (Alternate)	PERU	3,143	1.75	
PERU		<u>25,726</u>	<u>14.32</u>	
True Davis	Appointed by:			
UNITED STATES	UNITED STATES	76,311	42.47	
Rauben Sternfeld (Alternate)				
UNITED STATES				
Julio C. Gutiérrez	Elected by:			
PARAGUAY	BOLIVIA	1,937	1.08	
Alberto Ibáñez González (Alternate)	PARAGUAY	1,036	0.58	
BOLIVIA		<u>2,973</u>	<u>1.66</u>	EXECUTIVE DIRECTORS AND ALTERNATES*
José Juan de Oñoqui	Elected by:			
MEXICO	COSTA RICA	1,036	0.58	
Arturo Calventi (Alternate)	DOMINICAN REPUBLIC	1,337	0.74	
DOMINICAN REPUBLIC	HAITI	1,036	0.58	
	HONDURAS	1,036	0.58	
	MEXICO	14,565	8.10	
	NICARAGUA	1,036	0.58	
	PANAMA	1,036	0.58	
	URUGUAY	2,542	1.41	
		<u>23,624</u>	<u>13.15</u>	
Carlos Enrique Peralta Méndez	Elected by:			
GUATEMALA	EL SALVADOR	1,036	0.58	
Mario Dalponte (Alternate)	GUATEMALA	1,337	0.74	
EL SALVADOR		<u>2,373</u>	<u>1.32</u>	
Victor da Silva	Elected by:			
BRAZIL	BRAZIL	22,583	12.57	
Federico Intrigo (Alternate)	ECUADOR	1,337	0.74	
ECUADOR		<u>23,920</u>	<u>13.31</u>	
	TOTAL	<u>179,682</u>	<u>100.00</u>	

\* As of March 27, 1967.

PRINCIPAL OFFICERS  
OF THE BANK\*

GENERAL APPENDIX 3

President	Felipe Herrera
Executive Vice President	T. Graydon Upton
FINANCIAL-ADMINISTRATIVE DEPARTMENT	
Financial Manager	Ignacio Copete-Lizarzabala
Deputy Manager	Alexander Roseman
Treasurer	Santiago Martinucci
Secretary	Jorge Hazera
Director, Division of Administration	Fausto Ruggiero
Director, Personnel Division	Victor Alamo
Director, Division of Information	Joaquin E. Meyer
OPERATIONS DEPARTMENT	
Operations Manager	Ewald Corrales Lima
Deputy Manager	Guillermo Moore
Director, Loan Division, Northern Zone	Enrique Pérez Cameros
Director, Loan Division, Southern Zone	James A. Lynn
Director, Project Analysis Division	Alfredo E. Hernández
Director, Division of Loan Administration	Hawthorne Aray
TECHNICAL DEPARTMENT	
Technical Manager	Francisco Aguilar
Director, Economic and Social Development Division	Pedro Izafeta
Director, Training Division	Leonel Torres
Technical Assistance Coordinator	Milton Messina
LEGAL DEPARTMENT	
General Counsel	Elting Arnold
OTHERS	
Financial Advisor	Robert B. Montague
Program Advisor	Alfred C. Wolf
Integration Advisor	José C. Cárdenas
Controller of Operations	G. Lincoln Sandella
Representative in Europe	Rodrigo Llorca
INSTITUTE FOR LATIN AMERICAN INTEGRATION	
President	Julio C. Rodríguez Arías
Director	Gustavo Lagos

\* As of March 27, 1967.

MEMBER COUNTRY	CHANNEL OF COMMUNICATION	DEPOSITORY
ARGENTINA	Banco Central de la República Argentina	Banco Central de la República Argentina
BOLIVIA	Banco Central de Bolivia	Banco Central de Bolivia
BRAZIL	Banco Central da República do Brasil	Banco Central da República do Brasil
CHILE	Ministerio de Hacienda	Banco Central de Chile
COLOMBIA	Banco de la República	Banco de la República
COSTA RICA	Banco Central de Costa Rica	Banco Central de Costa Rica
DOMINICAN REPUBLIC	Banco Central de la República Dominicana	Banco Central de la República Dominicana
ECUADOR	Banco Central del Ecuador	Banco Central del Ecuador
EL SALVADOR	Banco Central de Reserva de El Salvador	Banco Central de Reserva de El Salvador
GUATEMALA	Banco de Guatemala	Banco de Guatemala
HAITI	Banque Nationale de la République d'Haiti	Banque Nationale de la République d'Haiti
HONDURAS	Ministerio de Economía y Hacienda	Banco Central de Honduras
MEXICO	Banco de México, S.A.	Banco de México, S.A.
NICARAGUA	Banco Central de Nicaragua	Banco Central de Nicaragua
PANAMA	Ministerio de Hacienda y Tesoro	Banco Nacional de Panamá
PARAGUAY	Banco Central del Paraguay	Banco Central del Paraguay
PERU	Banco Central de Reserva del Perú	Banco Central de Reserva del Perú
UNITED STATES	Treasury Department	Federal Reserve Bank of New York
URUGUAY	Ministerio de Hacienda	Banco de la República Oriental del Uruguay
VENEZUELA	Ministerio de Hacienda	Banco Central de Venezuela

\* As of March 27, 1967.

INSTITUTE FOR  
LATIN AMERICAN INTEGRATION

The Institute for Latin American Integration, which was established by the Bank to foster Latin America's integration, completed its first full year of activity in 1966. The Institute is a unit of the Bank which answers directly to the President of the Bank. The Bank's Integration Advisor acts as liaison between the President and the Institute. The Institute, which is located in Buenos Aires, is devoted to the study of the economic, technical, legal and institutional means of promoting closer integration in Latin America.

In April 1966 the Second Meeting of the Institute's Advisory Council took place in Mexico City during the Seventh Annual Meeting of the Board of Governors of the Inter-American Bank. The Council approved the Institute's work program for 1966-67 and made the following recommendations:

- The Institute should provide advisory services to improve national governmental systems related to the integration process. It should also carry out research on pooling multinational scientific and technological information and the integration of educational systems in Latin America.
- In training and research activities, the Institute should work closely with Latin American universities in sponsoring seminars for leaders in education, establishing study centers on university campuses, and should pay special attention to studying requirements for the juridical and legal basis for Latin America's integration.

**Training**

The training, advisory, information and research activities carried out by the Institute in 1966 included three conferences, three study courses, and

four seminars held in 12 Latin American countries. A total of 623 public officials, businessmen, labor leaders, educators and other professionals participated in the activities which included:

- A second course on Latin American integration held in Buenos Aires, Montevideo and Central America from May 2 to July 26 with the participation of 38 persons.
- A course on Venezuela and Latin American integration held in Caracas Oct. 3-21 in which 45 persons participated.
- A course on customs policy and administration, held in Rio de Janeiro June 1-Aug. 31, attended by 28 officials.
- A seminar on Colombian-Venezuelan border integration held in Maricao, Venezuela, Oct. 21-28 for 51 participants.
- The First Seminar on Integration for Labor Leaders, held in Lima, Aug. 21-Sept. 2 in which 22 persons participated.
- A Seminar on Latin American Integration for businessmen held in São Paulo, Brazil, Nov. 21-26 for 52 business leaders.
- An International Seminar on Latin American Integration for Labor Leaders held in Talcahuano, Chile, Nov. 20-26 attended by 88 participants.
- A conference series, included as part of a course on the Legal and Institutional Problems of Central American Integration, held in San Salvador, El Salvador, June 13-July 29 with 40 persons taking part.

A series of conferences on Latin American integration, part of the 18th International Summer School of the Federico Santa Maria Technical University, held in Valparaiso, Chile, Jan. 5-26 for 88 participants.

Conferences, as part of the Doctoral Course on Comparative Law offered by the International School of Strasburg, held in Concepción, Chile, Jan. 15-Feb. 20 for 170 participants.

#### Research

Seventy-five specialists of international and regional agencies and from Western Europe joined with the Institute's regular staff in pursuing research activities in 1966. During the year, a comparative analysis of the institutional bases of the Latin American Free Trade Association, the Central American Common Market and the European Common Market was completed.

The Institute also undertook during the year a research project on the legal aspects of integration and a separate study on the sociological, political and economic aspects of integration. A public opinion survey on various questions regarding integration was conducted at universities in Brazil, Chile, Peru and Uruguay in cooperation with the School of Sociology of the Latin American Faculty of Social Sciences. Also initiated was a general study of the status and trends of integration, to be updated annually, and an investigation of obstacles to intraregional trade.

The Institute also organized two study teams, one in Europe and the other in Latin America, to analyze legal aspects of integration, and assigned tasks to more than 30 specialists for research on integration theory.

#### Advisory Services

Among the Institute's 1966 advisory activities was the completion of draft legislation requested by the Latin American Parliament. The Parliament has

been interested in model documents which will be useful references in standardizing Latin American commercial law.

In answer to a request by the Governments of Argentina, Bolivia, Brazil, and Paraguay, the Institute is initiating work on a preliminary study regarding development of the River Plate Basin.

A work program is under way to provide advisory services to labor organizations, regarding integration problems. This study grew out of a seminar for labor leaders in Lima, and is to be done in cooperation with the Inter-American Regional Workers Organization and the Latin American Confederation of Christian Unions.

#### Information

The Institute participated in more than 40 meetings, seminars, and round table discussions to provide information on its activities and the various aspects of Latin American integration. Members of the Institute's staff organized conferences at these meetings for universities, development institutions labor and business groups, and regional and international agencies.

Early in October the Institute sponsored the Second Coordination Meeting of institutions which participated in the integration process, which was attended by representatives of the Bank, LAFTA, the Central American Common Market, and other regional and international agencies interested in the Latin American integration process.

In 1966 the Institute prepared seven books on economic, sociological, political and legal aspects of integration. Also published was an editorial series including two books, begun jointly during the year by the Bank and LAFTA.

















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